A Heritage of Quality

Anheuser-Busch Companies, Inc.

Annual Report 1989

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Cover:
After the repeal of Prohibition, August A. Busch, Jr. celebrated in a big way. Borrowing an idea from the horse-drawn beer wagons in Germany, he had a team of Clydesdale horses proudly strut down Pennsylvania Avenue and deliver a case of Budweiser to President Franklin D. Roosevelt at the White House.

Through the years the majestic Clydesdales have come to symbolize Anheuser-Busch's long-standing commitment to quality and excellence.

A Tribute to August A. Busch, Jr.

On September 29, 1989, August A. "Gussie" Busch, Jr.—the third generation of the Busch family to head the world's largest brewing company—died following a brief illness. He was 90.

Mr. Busch, honorary chairman of Anheuser-Busch Companies, and chairman and president of the St. Louis National Baseball Club (Cardinals), died at his home at the Busch family estate, Grant's Farm, in St. Louis.

"I know that our great company will carry on in the tradition of those who founded it and established the very high standards and principles upon which I have based my every thought and act over the years. The heritage which my father and my grandfather have left me is the greatest contribution which I could pass on to future generations."

August A. Busch, Jr.
1975

As a businessman, civic leader and sportsman, Mr. Busch's public and professional career spanned some 67 years. During that period, his business acumen, showmanship and intense commitment to his company, community and country made "Gussie" a household word in St. Louis and in business and sporting circles around the world.

In May of 1975, after 29 years at the helm of what, under his leadership, had become the largest brewing organization in the world, August A. Busch, Jr. stepped down as Anheuser-Busch chairman and chief executive officer. Although August A. Busch III assumed his father's duties, Gussie remained active in company affairs until his death.

"I've had a wonderful, competitive life filled with challenge and reward," he once said. "And I'm thankful for it all. Most of all, I'm thankful for my heritage, for my family, for my children. I'm thankful for my life with my company, Anheuser-Busch."

To say that Gussie will be missed is an understatement. As the last of the legendary "beer barons," his death marked the end of an era.

But Gussie would have little patience with tributes. He was a man of action, not recollection. He lived in the present, not the past. By example he taught the Anheuser-Busch team invaluable lessons. Act boldly. Never retreat. Don't take the hard knocks sitting down. Fight back. Set your goals and never waver from them. Above all, remember that quality is what made Anheuser-Busch successful.

Those principles are Gussie's legacy to the company he loved. Through the years they have become an integral part of the Anheuser-Busch philosophy, a key part of the guiding beliefs that influence every decision the company makes. And that is the best tribute the company could pay to the man who molded Anheuser-Busch into an industry giant.

ANHEUSER-BUSCH
COMPANIES, INC.

Contents

(In millions, except per share, employee, shareholder and statistical data)

YEAR ENDED DECEMBER 31,	*1989*	*1988*	*% CHANGE*
Barrels of beer sold	**80.7**	78.5	2.8
Sales	**$10,283.6**	$9,705.1	6.0
Excise taxes	**802.3**	781.0	2.7
Net sales	**9,481.3**	8,924.1	6.2
Net income	**767.2**	715.9	7.2
Earnings per share	**2.68**	2.45	9.4
Common stock dividends	**226.2**	188.6	19.9
Per share	**.80**	.66	21.2
All taxes	**1,475.1**	1,416.2	4.2
Capital expenditures	**1,076.7**	950.5	13.3
Depreciation and amortization	**410.3**	359.0	14.3
Effective tax rate	**37.5%**	38.3%	(.8%)
Return on capital employed	**13.3%**	13.5%	(.2%)
Return on shareholders equity	**24.7%**	23.9%	.8%
Total debt to total debt plus equity	**52.4%**	34.2%	18.2%
Fixed charge coverage	**6.6 ×**	7.4 ×	(.8)×
FINANCIAL CONDITION AT DECEMBER 31			
Plant and equipment, net	**$6,671.3**	$5,467.7	22.0
Total assets	**9,025.7**	7,109.8	26.9
Long-term debt	**3,307.3**	1,615.3	104.7
Number of full-time employees	**46,608**	41,118	13.4*
Number of common shareholders	**66,709**	72,967	(8.6)

Note: The above amounts include the acquisition of Sea World as of December 1, 1989.
**Increase is primarily related to the acquisition of Sea World.*

In 1989 Anheuser-Busch completed the strongest decade in the history of the company. Over the past 10 years, we have seen our volume grow from 46.2 million barrels in 1979 to 80.7 million barrels in 1989. In that same period, our market share rose from 26% to 42%. We finished the decade with three of the top five beer brands in the U.S.—Budweiser, Bud Light and Busch. Earnings per share increased from $.73 in 1979 to $2.68 in 1989, and the price of Anheuser-Busch common stock rose from $3.75 to $38.50 per share, a 10-year compounded growth of 29.1%.

During 1989 a number of significant events occurred at Anheuser-Busch. In my letter this year I would like to briefly review how these events affected the year's results and how they will impact the future of the company.

"Anheuser-Busch has built its business and its reputation on a heritage of quality. Through the years our strict adherence to uncompromising quality standards has been the cornerstone of our success. Competitive pressures have changed. Industry challenges have changed. The social environment has changed. But our commitment to quality has never changed. And it never will."

August A. Busch III

MORE THAN 80 MILLION BARRELS SOLD

In 1989, Anheuser-Busch brewed, packaged and shipped 80.7 million barrels of the finest quality beers, a 2.2 million barrel increase over 1988 and a greater increase than any of our competitors achieved. This gain represents a 2.8% volume increase, compared with a 3.2% increase in 1988. We gained 1.0 share point for a total of 42.1% share of the brewing industry.

While we continued to make progress toward our goal of achieving a 50% market share by the mid-90s, our sales trends slowed and we did not meet expectations for the last half of 1989.

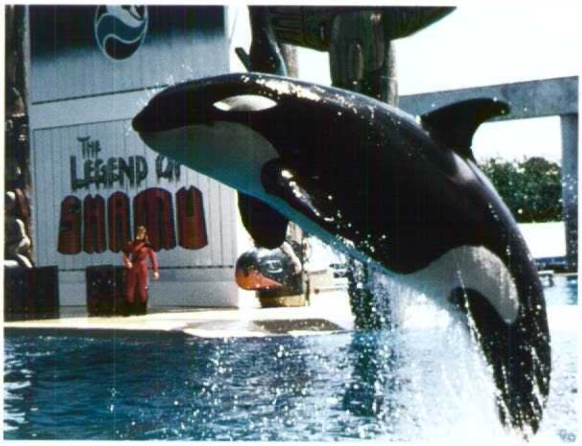
ANHEUSER-BUSCH TO MEET COMPETITIVE PRICING LEVELS

By mid-year 1989, it was clear that sales trends for our premium brands were being affected by deep and continuous price promoting by our major competitors of their premium brands. Therefore, in October the company announced its intention to meet competitors' price initiatives. We are firmly convinced that given comparable pricing levels, consumers will make their selection on the basis of quality and value and will, therefore, choose Anheuser-Busch products.

We are well aware of the short-term financial impact of increasing price promotions. This strategy did affect earnings growth in 1989. But in the long term it will provide us with additional volume gains, which will maintain capacity utilization levels over 90% and allow us to achieve attractive margins.

ANHEUSER-BUSCH BUYS SEA WORLD

This acquisition, which occurred late in 1989, expands the earnings base for Busch Entertainment Corporation and gives that business segment critical mass by increasing our entertainment base attendance from five to 20 million people per year. Cash flow provided by these parks represents a good return and cash flow is positive in the first year. The acquisition of Sea World diluted 1989 earnings by $.02 per share and is expected to dilute 1990 earnings by less than 3%. Earnings dilution should be eliminated by 1993.



"While beer is and will always remain our core business, we are also developing other businesses complementary to beer in order to maintain our status as a growth company. The entertainment field is a natural arena for us. In 1989 we purchased Sea World. This acquisition, combined with our present Busch Gardens operations, makes us the nation's second-largest theme park operator."

MAJOR SUBSIDIARIES CONTINUE TO PERFORM WELL

Busch Entertainment Corporation, while working on its new ventures, also delivered good profits in 1989. Attendance, however, was down slightly from the record levels of 1988 when an exhibition of giant pandas proved to be a major attraction at The Dark Continent in Tampa.

Campbell Taggart has proven to be a steady performer. With most of the operational efficiencies now in place, management is turning its attention to marketing and service-related issues which address volume and margin growth over the long term.

The opening of Eagle Snacks' Visalia, Calif., plant allowed distribution of snack products to be expanded nationally. Volume growth even without the rollout was strong in 1989. Although we are still investment spending on the subsidiary while it builds market share, cash flow is at a break-even point.

Competitive pricing in the can manufacturing industry has affected Metal Container's bottom line. However, can production was up more than 32% over 1988. We are now positioned to be a major competitor in this industry and will see profitability restored as industry consolidation continues. In the meantime, we continue to realize cost benefits through self-manufacture.

Our overseas operations continue to perform well. Currently our European presence includes baking operations in Spain and France; licensed brewing agreements in Ireland, England and Denmark; and a hop farm in Germany. We continue to study opportunities for growth in the European market.

The Asian market also represents a good potential source of additional growth. We currently have the dominant foreign beer brand in Japan and South Korea.

ANHEUSER-BUSCH NAMED BEST STOCK TO OWN IN AMERICA

In a book published by Longman Press, Anheuser-Busch was rated as the best stock overall for individual investors over the past 10 years. The author's analysis covered all publicly traded stocks and rated each on consistent earnings growth, regular price appreciation, dividend yield, dividend growth and other shareholder benefits. During the 1980s, Anheuser-Busch averaged a 20.4% return on shareholder's equity and achieved a high of 24.7% in 1989. Return on capital employed grew from 11.3% in 1979 to 13.3% in 1989.

In addition, Anheuser-Busch was named one of the 20 most profitable companies over the last 10 years by Fortune magazine, and was ranked the ninth most admired company in 1989 by the magazine.

DEPARTMENT OF CONSUMER AWARENESS AND EDUCATION CREATED

During 1989, various critics and neo-prohibitionist groups stepped up their attack on our industry. For the most part, their claims are not supported by research and their proposed solutions to alcohol-related problems are not sound. In addition, both our critics and some in the media have suggested that beer consumption is comparable to the use of illegal drugs. We consider this comparison dangerously misleading. Beer is a wholesome beverage that can add to the quality of life when consumed responsibly—as intended. It has played, and continues to play, an important role in our society. More than 80 million adults in this country enjoy beer responsibly.

Through the efforts of our Department of Consumer Awareness and Education—which are detailed on page 7—we will continue to defend the rights of consumers to enjoy our products while we work to provide reasoned solutions to the problem of alcohol abuse.

WHOLESALERS INVEST $242 MILLION IN ANHEUSER-BUSCH

One of the major keys to the company's success is our strong family of wholesalers. In 1989, their commitment to our partnership was demonstrated by their direct investment in a special offering of convertible debentures. As investors in Anheuser-Busch, they now have an even stronger incentive to maximize our mutual performance over the long term.

EMPLOYEE STOCK OWNERSHIP PLAN ADOPTED

Similarly, the company has created an ESOP for the benefit of its employees. More than 80% of eligible employees currently participate in the stock ownership and savings plan. As shareholders as well as employees, they have an even greater stake in increasing productivity.

While 1989 presented us with many challenges, it was a good year for the company. In spite of the pricing policies we employed in the third and fourth quarters, 1989 operating income was up 5% and net income increased 7.2% to $767 million. Earnings per share rose 9.4% to $2.68. Coupled with the increased dividend in 1989, the stock returned 24.8%.

As we enter the 90s, we do so from a position of strength. Your company has a 20-share-point lead in the beer industry, we are the country's second-largest commercial baker and the second-largest theme park operator, we hold positions in the snack food and aluminum can industries, and we have the most popular team in the National League. While the new decade presents formidable challenges, we will continue to increase beer volume and further expand our non-beer profit base with investments that provide good returns.

Finally, I would like to close by acknowledging that 1989 marked not only the end of a decade, but the end of an era. On September 29, 1989, August A. Busch, Jr. died. My father was a leader in every sense of the word. He had the ability to infuse people with his vision, to unite them in a common cause and to instill in them the commitment to quality that has made Anheuser-Busch number one in the brewing industry. I encourage you to read the tribute to him on page 1 of this report. His guiding spirit will be missed, but his legacy remains. As we move into the decade of the '90s, his legendary commitment to quality will be maintained.

"A key reason for our success in 1989 was the performance of our brewing subsidiary, Anheuser-Busch, Inc. We currently have three of the top five beer brands in the country—Budweiser, Bud Light and Busch. Of the four brands that reached 10 million barrels in sales last year, we had two of them—Budweiser and, for the first time, Bud Light. We sell the hottest new brand, Michelob Dry. And we have introduced three new brands—Busch Light, Bud Dry and O'Doul's—to attract new customers and increase volume."

August A. Busch III
Chairman of the Board and President
February 5, 1990

Anheuser-Busch Companies, Inc. is a St. Louis-based diversified corporation whose subsidiaries include the world's largest brewing organization, the country's second-largest producer of fresh-baked goods and the country's second-largest theme park operator. The company also has interests in many diverse areas, including container manufacturing and recycling, international brewing and snack foods.

Corporate Mission Statement

Anheuser-Busch's corporate mission statement provides the foundation for strategic planning for all subsidiaries. The fundamental premise of the mission statement is that beer is and always will be Anheuser-Busch's core business. However, other businesses complementary to beer will be developed over the long term in order to maintain Anheuser-Busch's status as a growth company.

In the brewing industry, Anheuser-Busch's goals are to enhance its position as the world's leading brewer of quality products; increase its share of the domestic beer market to 50% by the mid-1990s; and, over time, substantially increase its presence in the international beer market.

In non-beer areas, Anheuser-Busch's goal is to develop businesses in entertainment, packaging and food products which offer significant growth opportunities. These operations will be businesses which deliver products or services of superior quality; enhance Anheuser-Busch's beer business or which are enhanced by the company's

beer operations; and have a corporate culture that is compatible with that of Anheuser-Busch. They will also be businesses to which Anheuser-Busch can add significant value.

The mission statement also sets forth Anheuser-Busch's belief that the cornerstones of its success are a commitment to quality and maintaining the highest standards of honesty and integrity in its dealings with all stakeholders.

The alcohol abuse issue has drawn increasing attention in recent months. While Anheuser-Busch has always promoted the responsible use of its products, additional emphasis is being directed toward efforts designed to educate consumers and servers of alcohol about the appropriate use of our products.

Social Responsibility

During 1989, Anheuser-Busch Companies and its charitable foundations contributed more than $25 million to nonprofit organizations. These contributions have been focused in three primary areas.

Alcohol Issues—Anheuser-Busch supports scientific research into the causes and possible cures of alcoholism and alcohol abuse. More than $1.5 million was contributed in 1989 to such organizations as the Alcoholic Beverage-Medical Research Foundation in Baltimore, Md., and the Alcohol Research Center at UCLA.

Minority Development—Anheuser-Busch supports minority organizations engaged in economic development, cultural heritage, education and leadership development. As the founder and national sponsor of the Lou Rawls Parade of Stars telethon, Anheuser-Busch commissioned a traveling exhibit to commemorate this television special's 10th anniversary and its success in raising more than $75 million since 1980. The company also contributed $1.5 million in 1989 to the National Hispanic Scholarship Fund to support its development and scholarship efforts. Anheuser-Busch is the NHSF's largest corporate supporter.

Community Support—Anheuser-Busch helps enrich the communities in which it operates breweries and other major facilities by supporting local nonprofit organizations such as the United Way, social service agencies, arts and cultural groups, health care institutions, youth groups and colleges and universities. In addition, through the Anheuser-Busch Employee Volunteer Grant Program, the company recognizes its employees who actively volunteer their services to nonprofit organizations by making grants to these organizations. The company also offers an employee Matching Gift Program for educational institutions.

Consumer Awareness and Education

Anheuser-Busch has long believed that it is in the company's best interest, and in the interest of society as a whole, to play an important role in the fight against the abuse of alcoholic beverages. While the company's efforts were already the most extensive in the industry, they were enhanced dramatically in 1989 by the creation of the Department of Consumer Awareness and Education.

The new group has a twofold mission: to use awareness and education as primary tools in the battle against alcohol abuse, and to aggressively defend the right of brewers and beer consumers to make and enjoy beer without the fear of being stigmatized.

Current activities of the new group include:

—Expanding the "Know When to Say When" advertising campaign, which features such celebrities as basketball's James Worthy, football's Dan Marino, golf's Payne Stewart

and auto racing's Scott Pruett. In addition to reinforcing responsible drinking, the campaign specifically addresses drunk driving. The campaign generates hundreds of millions of consumer impressions each year.

Legislative issues such as excise taxes, deposit laws, packaging bans and warning labels present an ongoing challenge to the company. The Industry and Government Affairs Department works actively with legislators, Anheuser-Busch beer wholesalers, company employees and, when necessary, the general public to ensure that Anheuser-Busch's interests are protected.

—Developing a companion advertising campaign called "A Good Part of the Good Life," which portrays beer's role in history, its appropriate place in family life, and the major contributions of the beer industry to the American economy.

—Emphasizing grass-roots programs designed to combat alcohol abuse. These programs are implemented at the local level by Anheuser-Busch wholesalers and retailers. Programs include: TIPS training for retail servers; "I'm Driving," which encourages the use of designated drivers; "Alert Cab," which provides safe rides home; the informative videotape, "Your Alcohol IQ"; "Good Sport," which promotes responsible spectator behavior at sporting events; and "Family Talk About Drinking," which offers parents of young children guidance when discussing alcohol.

—Promoting groups dedicated to fighting alcohol abuse through research, awareness and education, such as the Inter-Association Task Force on Alcohol Issues, the American Council on Science and Health and the Health Education Foundation.

In the last decade, all major indicators of alcohol abuse have shown dramatic improvement, and efforts such as these are designed to maintain this positive trend.

Industry and Government Affairs

Anheuser-Busch Companies has always taken a leadership role in addressing issues that can have a major impact on the company and its shareholders. The company's Industry and Government Affairs Department monitors legislative and regulatory developments at the international, national, state and local levels.

Anheuser-Busch Companies has followed two basic strategies in dealing with legislative and regulatory issues. First, the company recognizes that it must take positive steps to solve problems associated with its business or the misuse of its products. And second, through the Industry and Government Affairs Department the company has developed a full array of political tools enabling it to effectively counter misguided legislative efforts.

This combination of positive solutions and comprehensive political action has been effective in preserving the company's ability to operate responsibly. Working with professional lobbyists, employees, wholesalers, retailers and America's 80 million beer drinkers, the company is well prepared to address today's legislative challenges.

Political Developments

In 1988, the U.S. Congress passed federal legislation requiring a health warning on the labels of all alcoholic beverages. Producers were required to begin displaying the label mandated by this measure on products packaged after November 18, 1989. The label addresses the issues of birth defects, drunk driving and general health effects.

Anheuser-Busch has historically supported efforts to provide accurate and useful information to the consumers of its products. Importantly, the warning label mandated by Congress provides a uniform message throughout the country rather than permitting each state to impose its own individual warning.

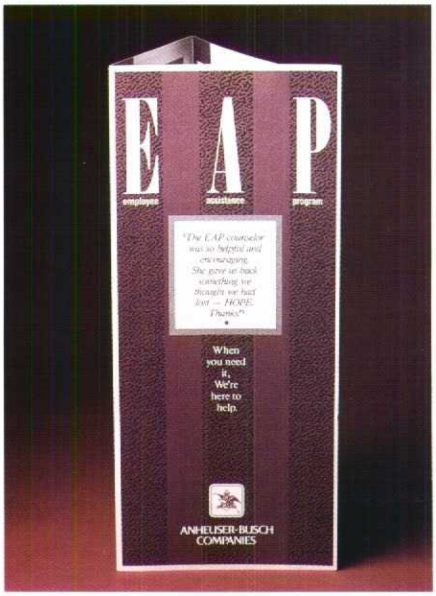
While the issue of warning labels has been resolved, the threat of higher federal excise taxes remains. No tax increase was passed in 1989, but some reports list excise taxes on alcohol, tobacco and gasoline as possible new sources of future revenues. The Industry and Government Affairs Department is monitoring this situation.

In 1989 the U.S. Senate approved a measure that would have unreasonably restricted the ability of alcoholic beverage manufacturers to support or sponsor collegiate activities. Anheuser-Busch and its wholesalers follow strict guidelines in all contemporary adult marketing activities. These guidelines are designed to encourage only responsible consumption among those of legal drinking age. More than three quarters of those enrolled in institutions of higher education in the United States are over 21 years of age.

Contact by the company and its wholesalers with Congress and with university officials—many of whom also contacted Congress—prevented the unreasonable restrictions from becoming law in 1989.

Excise tax activity at the state level was particularly heavy last year, with 32 states proposing or considering such legislation. Six states passed this type of legislation. Since 1990 is an election year at the state level, excise tax activity is expected to lessen somewhat. Anheuser-Busch continues to strongly oppose such taxes because they fall heaviest on working men and women who already pay their fair share of taxes.

Environmental issues have also been prevalent at the state level during the last year. Deposit laws, as well as bans on various types of packaging, have been considered in 24 states. To date, most of these measures have been defeated. Anheuser-Busch will continue to oppose ineffective measures while renewing its long-standing commitment to preserving our natural environment.



In 1978 the company established the first in-house employee assistance program in the brewing industry, and the program continues to help employees and family members cope with personal problems.

Human Resources

Anheuser-Busch Companies' commitment to quality is reflected not only in its products, but also in its people. The company recognizes the importance of human resources in the continued growth and success of its business operations and is dedicated to providing its employees with financially rewarding work and with continuing opportunities for personal development.

Corporate Human Resources focuses on identifying and implementing human resource programs that are necessary to accomplish business objectives. To that end, the company's human resources policies and programs are designed to create an environment of mutual respect and open, two-way communication.

To encourage communication and facilitate employee well-being, the company has implemented a number of innovative programs, including annual face-to-face communications meetings between senior management and employees at all major locations; Personnel Communications, a confidential way for employees to resolve job-related concerns; and an employee assistance program, which assists employees and family members in coping with personal problems.

The company also believes that continuing education can help managers meet the increasingly complex challenges presented by today's business environment. Therefore, a curriculum of management development programs similar to those offered by top universities is presented for all levels of management. In addition, special executive development sessions are presented each year for senior executives.

Anheuser-Busch's 12 breweries (a 13th is under construction) provide the company with the most extensive production network in the world. Budweiser remains the company's flagship brand, accounting for one out of every four beers sold in America, and more than one of every two premium beers sold.

Anheuser-Busch, Inc.

Anheuser-Busch, Inc., which began operations in 1852 as the Bavarian Brewery, ranks as the world's largest brewer and has held the position of industry leader in the U.S. since 1957. More than four out of every 10 beers sold in the U.S. are Anheuser-Busch products.

In 1989, Anheuser-Busch, Inc. established another all-time industry record with sales of 80.7 million barrels, an increase of 2.8% over 1988 sales of 78.5 million barrels. Anheuser-Busch, Inc. now has a record lead of 39 million barrels over its nearest competitor.

Anheuser-Busch, Inc. increased its market share in 1989 with sales volume representing approximately 42.1% of total brewing industry sales (including imports) as estimated by The Beer Institute, compared with 41.1% the previous year.

Gross sales of the company's brewing operations rose to $7.55 billion, a 5.4% increase over 1988 gross sales of $7.16 billion. Gross sales included federal and state beer excise taxes of $802.3 million in 1989 compared with $781 million in 1988.

The foundation of the company's past success and future growth is based on product quality, a comprehensive marketing effort, a solid wholesaler distribution system, and the most dedicated, professional employees in the industry.

New products are a proven method for generating new volume and new revenue. Michelob Dry did just that. In addition to quickly gaining market share, the innovative brand also created an entirely new beer category.

Anheuser-Busch remains firmly committed to product quality, which has been the fundamental, irreplaceable ingredient in its successful performance for more than 100 years. The company continues to emphasize the quality and value of each of its beer brands in its marketing efforts. While a traditional, all-natural brewing process is used, modern technology is also employed to ensure the quality and consistency of the company's products.

Productivity improvement efforts are one way that the company controls costs while maintaining quality. By finding new and better ways to increase efficiencies, the company is able to better use its resources and thereby increase volume at low cost.

The substantial efforts of Anheuser-Busch employees during the last 10 years to find better ways to do their jobs without compromising quality, together with an aggressive capital investment program, have generated total expense reductions of $540 million.

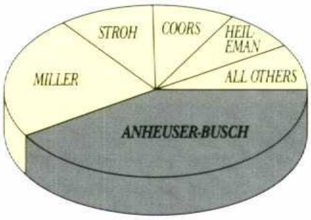
In addition, the employee suggestion program has been very successful in identifying new cost reduction opportunities in the breweries. In 1989, approximately 3,900 suggestions were received, a participation rate of more than 30%.

During the last few years, Anheuser-Busch has worked in partnership with the Wholesaler Advisory Panel to develop and implement productivity efforts that will help both the company and wholesalers accomplish sales and profit objectives.

PRODUCTS/MARKETING STRATEGY

The hallmarks of beer as a consumer beverage are quality, taste, drinkability, convenience and thirst-quenching properties, all of which fit into the increasingly active, health-conscious and family-oriented life-style of the American consumer. More than 80 million Americans regularly drink beer.

U.S. BEER MARKET



Anheuser-Busch, Inc.'s family of 12 naturally brewed beers, a nonalcoholic brew and three high-quality imports are highlighted below.

Budweiser—Brewed and sold since 1876, Budweiser is the company's leading brand and the largest selling beer in the world. More than half of the premium-priced beer sold in the U.S. is Budweiser.

Bud Light—Bud Light turned in an exceptional performance in 1989, recording double-digit volume growth, and is Anheuser-Busch's second-largest-selling brand.

Bud Dry—The newest member of the Budweiser family will be rolled out into most major markets in 1990.

Innovative marketing has always been a hallmark of Anheuser-Busch. The famous Budweiser Clydesdales were introduced in 1933, when August A. Busch, Jr. presented them to his father to celebrate the repeal of Prohibition. Today three hitches travel more than 90,000 miles each year making appearances on behalf of the King of Beers.

LARGEST-SELLING U.S. BEER BRANDS IN 1989

1. BUDWEISER
2. MILLER LITE
3. BUD LIGHT
4. COORS LIGHT
5. BUSCH

Michelob—Introduced in 1896, Michelob continues to dominate the super-premium category.

Michelob Light—A super-premium light beer, Michelob Light continues to play a significant role in the light beer segment.

Michelob Classic Dark—Michelob Classic Dark, the ultimate in dark beers, is available in draft and bottles nationwide.

Michelob Dry—An innovative Michelob family line extension, Michelob Dry was introduced in 1988. Using a unique DryBrew™ method of brewing, Michelob Dry promises to bolster the super-premium category as the industry's first domestic dry beer.

Busch—Busch is now the nation's fifth-largest-selling beer, despite the fact that it is available in only 41 states. In 1989 Busch experienced sales growth in all regions of the U.S.

Busch Light—Introduced in 1989, Busch Light will be rolled out into many new markets in early 1990.

Natural Light—Natural Light, our popular-priced light beer, also experienced strong growth in 1989.

O'Doul's—Anheuser-Busch's nonalcoholic brew is distributed nationally.

King Cobra—A naturally brewed malt liquor, King Cobra is available in selected areas of the country.

Anheuser Marzen—This domestically brewed ultra-premium beer is currently in test market.

Carlsberg—The largest-selling brand of beer in Denmark, Carlsberg is brewed by United Breweries, Ltd. and distributed in the U.S. through the Anheuser-Busch wholesaler network. It is currently available in 40 states.

Carlsberg Light—A light version of Carlsberg, Carlsberg Light offers European taste with reduced calories.

Elephant Malt Liquor—Also brewed by United Breweries, Ltd., Elephant Malt Liquor is distributed by Anheuser-Busch wholesalers in 35 states.

In addition to its direct beer marketing efforts, the company supports many philanthropic organizations, including the Muscular Dystrophy Association. As a national sponsor, the company and its wholesalers raised $4.7 million in 1989 for the annual Jerry Lewis Labor Day Telethon.

EXPANSION/MODERNIZATION

Anheuser-Busch continued its strong capacity expansion and modernization programs in 1989.

Construction of the company's 13th brewery in Cartersville, Ga., is under way. When the brewery is completed, it will have a capacity of approximately six million barrels.

A 3.6-million-barrel expansion of the Newark brewery will be completed in 1990, and capacity at the Tampa, Fla., brewery will be expanded by 800,000 barrels, to 2.7 million. Mini-expansions are under way at Williamsburg, Va.; Baldwinsville, N.Y.; Columbus, Ohio; Jacksonville, Fla.; and Fairfield, Calif.

These mini-expansions will add approximately 2.5 million barrels of capacity.

Modernization of the St. Louis packaging plant is nearing completion. An extensive modernization of the St. Louis brewing facility and utilities is also under way. This modernization program will add brewing and packaging capacity while reducing costs through improved efficiencies.

While all Anheuser-Busch beers are brewed naturally, without any artificial ingredients, additives or preservatives, the company has always been innovative in the use of science to promote quality. The traditional brewing process is strictly maintained using modern technology in a rigorous program of quality assurance.

DISTRIBUTION

Anheuser-Busch, Inc. wholesalers and company-owned wholesale operations together provide the industry's most effective distribution system, setting standards of excellence and leadership with innovative operations and programs and consistent attention to the fundamentals of beer marketing and selling.

More than 900 independent wholesalerships distribute Anheuser-Busch, Inc. beers throughout the U.S. Anheuser-Busch strongly supports the traditional three-tiered distribution system, which it believes is in the best interest of consumers, retailers, distributors and brewers.

Communication is a key strength of Anheuser-Busch, Inc.'s exceptionally strong distribution system. A vital part of the communications effort is the Anheuser-Busch Wholesaler Advisory Panel. The panel offers wholesalers and company management the opportunity to openly communicate about—and act upon—key company and industry issues.

The Wholesale Operations Division of Anheuser-Busch, Inc. operates 11 company-owned distributorships. These facilities are located in Boston, Manhattan (N.Y.), Newark, Louisville, Chicago, New Orleans, Tulsa, Denver and, in California, in Sylmar, Riverside and Stockton.

The Wholesale Operations Division is responsible for the development of marketing and productivity improvement programs for use by the company's independent wholesalers and also serves as a key training ground for future Anheuser-Busch managers.

The Anheuser-Busch Investment Capital Corporation, formed in 1984 to share equity positions with qualified partners in Anheuser-Busch, Inc. distributorships, is currently invested in 16 wholesalerships. These investments provide the operating general partners the opportunity to function as independent wholesalers while increasing their equities and building toward total ownership.

By providing needed capital for qualified candidates, the Anheuser-Busch Investment Capital Corporation will continue to play a prominent role in strengthening the brewer-wholesaler team.

More than 900 independent beer wholesalers and 11 company-owned wholesale operations provide Anheuser-Busch with the most extensive and effective beer distribution system in the brewing industry.

Anheuser-Busch International, Inc.

Anheuser-Busch International explores and develops beer markets outside the United States, where beer volume is more than 3.5 times the size of the domestic market. In addition, many world beer markets are experiencing rapid growth, offering Anheuser-Busch excellent opportunities to expand its volume base.

Anheuser-Busch International enjoyed a strong year in 1989, with volume up more than 20%. Sales increases were led by Japan and Korea, with both markets up more than 50%, while two other large volume markets—Canada and the United Kingdom—also recorded increases despite overall industry softness in those countries.

Since the subsidiary was formed in 1981, new export markets have been developed. Today Anheuser-Busch products are exported to more than 40 countries. In addition, Budweiser is license-brewed in six countries. Potential new markets are analyzed on a continuing basis.

In Japan, Budweiser is distributed by Suntory, Ltd. In the spring of 1989, the significant price premium of Budweiser over domestic beers was adjusted somewhat to allow the brand to more effectively compete with domestic beers. This action, along with new marketing and merchandising efforts, resulted in a 50% volume increase for Budweiser and has firmly entrenched the King of Beers as the dominant foreign brand in Japan.

In 1986 a licensed-brewing agreement was signed with Oriental Brewery Co. Ltd. of Seoul, South Korea. Since then, Budweiser has shown significant volume increases each year. The brand now commands more than 50% of the foreign beer segment.

In Canada, Budweiser continues to be brewed and distributed by Labatt Brewing Company. While overall industry volume was off, Budweiser was one of the few nationally distributed brands that recorded growth in 1989.

Budweiser is also brewed, marketed and distributed in Ireland under a licensed-brewing agreement between Anheuser-Busch and Guinness. Expansion of draft distribution and new package introductions have helped generate growth in 1989.

In the United Kingdom, our licensed brewing partner, Grand Metropolitan Brewing, Ltd., produced Budweiser in longneck bottles during 1989. The introduction of this package, coupled with good off-premise growth, helped sustain Budweiser as one of the fastest-growing premium lager beers in the market.

In addition, Anheuser-Busch International has a licensed-brewing agreement with United Breweries Ltd. in Denmark, where local production of Budweiser began in 1987.

Anheuser-Busch's commitment to quality is evident in all of its international brewing operations. Anheuser-Busch brewmasters travel the world continually, tasting and testing locally produced product to make sure that it meets the company's rigid quality and taste standards. In addition, two Anheuser-Busch brewmasters now reside permanently in Europe in order to ensure that all licensed products brewed there meet Anheuser-Busch's exacting quality standards.

EXPORT MARKETS

In addition to licensed brewing, Anheuser-Busch continues to increase its worldwide presence by exporting its brands. In 1989, Mexico was added to the company's export roster. Anheuser-Busch's partner south of the border is Modelo, S.A., the largest Mexican brewer. With Modelo's distribution expertise and an already sizable beer market, Anheuser-Busch International expects this market to be a good source of future growth.

Although Anheuser-Busch exported its beers as early as the 1890s, the company began to tap the world beer market in a big way in 1981, when Anheuser-Busch International was created. Today Budweiser is license-brewed in six countries and exported to more than 40 others, and the marketing skill that has become a hallmark of Anheuser-Busch's U.S. operation is also being employed in its overseas markets.

New European markets have been established in Iceland and Finland, and other opportunities for expansion are under consideration.

Busch Agricultural Resources, Inc.

In 1989, Busch Agricultural Resources continued in its primary role of supporting Anheuser-Busch, Inc. in the areas of high-quality raw materials supply and land application of spent process liquid.

Busch Agricultural operates two malt plants, in Moorhead, Minn., and Manitowoc, Wis. Together, these plants supply approximately 28% of Anheuser-Busch's malt needs. Construction of a third plant in Idaho Falls, Idaho, is under way, with completion scheduled for early 1991.

The subsidiary's two rice mills, in Woodland, Calif., and Jonesboro, Ark., are capable of producing 50% of the company's brewing rice requirements. The subsidiary also operates six barley elevators in the Midwest and five in the western U.S. Rice research centers have also been established in Jonesboro, Ark., and Pleasant Grove, Calif., to investigate and develop new rice varieties. These operations allow Busch Agricultural to exercise significantly increased control over raw material quality and variety purity.

Busch Agricultural continued its involvement in the barley seed business at facilities in Powell, Wyo., Moorhead, Minn., and Fairfield, Mont. A new facility in Idaho Falls, Idaho, is scheduled for completion in 1990. These plants support the marketing of new varieties of barley that have been developed at the subsidiary's barley research center in Fort Collins, Colo. The seeds of these new varieties are marketed under the NutriGold trademark to growers who produce malting barley for beer production.

In 1987, with the establishment of Elk Mountain Hop Farms in northern Idaho, Busch Agricultural entered into the farming of hops for use by Anheuser-Busch, Inc. A 500-acre expansion of the hop farm was successfully completed in 1988, and the farm was expanded to 1,100 acres in 1989. When fully operational, the farm will supply approximately 5% of Anheuser-Busch's hop requirements. In addition, Busch Agricultural has purchased a hop farm in Huell, West Germany, to study hop cultural practices and varieties in Europe.

Busch Agricultural Resources develops new varieties of barley and then markets the seeds of these varieties to growers who produce malting barley for beer production. This Anheuser-Busch subsidiary is the largest private breeder of high-quality malting varieties in the U.S.

Busch Agricultural also operates Nutri-Turf, Inc. The objective of this operation is to significantly reduce brewery and snack plant utility expense through land application of spent process liquid to turf or alfalfa crops. Nutri-Turf operations are located at Jacksonville, Fla.; Fort Collins, Colo.; Robersonville, N.C.; and Fayetteville, Tenn.

Container Recovery Corporation

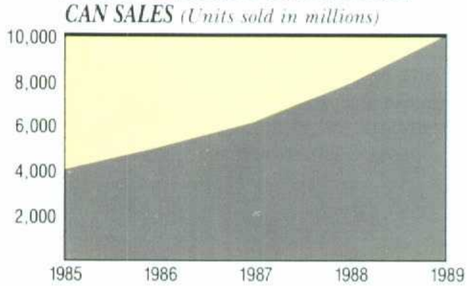
Container Recovery Corporation (CRC), Anheuser-Busch's recycling subsidiary, recycled more than 350 million pounds of aluminum, or more than nine billion cans, in 1989. CRC also recycled more than 29 million pounds of glass, or 58 million bottles.

CRC operations reflect Anheuser-Busch's concern for reducing litter, reclaiming vital raw materials used in packaging our products, addressing the country's solid waste problem through recycling and providing a positive alternative to mandatory deposit legislation.

More than 900 Anheuser-Busch, Inc. wholesalers and other organizations are active in the voluntary recycling programs established and supported by Container Recovery Corporation. CRC provides the necessary equipment, advertising and marketing expertise to these centers. The subsidiary also works with independent recycling companies to provide a market for their materials.

CRC processing facilities are located in Marion, Ohio; Nashua, N.H.; Cocoa, Fla; and Union City, Calif. These plants collect and process aluminum, glass and corrugated paper for shipment back to the primary producers of these products. The Marion, Ohio, and Nashua, N.H., facilities' major operation is to sort, inspect, package and ship returnable bottles to the Anheuser-Busch breweries in Columbus, Ohio, and Merrimack, N.H.

METAL CONTAINER CORPORATION CAN SALES (Units sold in millions)



Metal Container Corporation

Metal Container Corporation, one of the leading metal beverage container manufacturers in the United States, operates 10 can and lid plants. In 1989 Metal Container produced nearly 10 billion cans and more than 12 billion lids.

In addition to supplying approximately 40% of Anheuser-Busch, Inc.'s aluminum container requirements, Metal Container supplies a growing share of the container requirements of the soft drink market. In 1989 the subsidiary sold about one-third of its production to the soft drink industry. Metal Container has established commercial partnerships with several significant soft drink bottlers. Its customers include Wis-Pak, a major Pepsi-Cola bottling cooperative headquartered in Watertown, Wis.; C.O.B.O., a subsidiary of Pepsi-Cola Company; General Bottlers, Inc., a Midwest-based multiple franchise bottler; and Penn-Chesapeake Associates, a purchasing cooperative in the Mid-Atlantic area.

Metal Container Corporation is one of the leading metal beverage container manufacturers in the United States. Last year it produced nearly 10 billion cans and more than 12 billion lids. Metal Container supplies both Anheuser-Busch and the soft drink industry.

Metal Container's reputation as a supplier of high-quality, cost-competitive aluminum beverage containers is the foundation of its growing industry presence.

International Label Company *(Joint Venture)*

International Label Company is a joint venture between Illochroma International, S.A. of Brussels, Belgium, and Metal Label Company, a wholly owned subsidiary of Anheuser-Busch Companies. In 1989, International Label produced more than eight billion high-quality metalized labels using "state-of-the-art" vacuum metalizing and rotogravure printing technologies.

A major expansion was recently implemented which will significantly increase printing capacity and capabilities. The expansion provides the opportunity to increase sales in current label business and to develop a new market for the company in unprinted metalized paper.

In addition to providing labels for Anheuser-Busch, International Label also serves customers in the food, petroleum, paint, household products and beverage industries.

Busch Creative Services Corporation

In 1989, Busch Creative Services, Anheuser-Busch's creative marketing communications subsidiary, significantly diversified its client base for its major product lines—sales promotion and business meetings. Busch Creative produced award-winning materials and events for Anheuser-Busch Companies and other Fortune 500 corporations.

Innervision Productions, Inc.—Busch Creative Services Corporation's video production and post-production subsidiary—enjoyed a good year. The company, located in St. Louis County, expanded its production capabilities with the rollout of new video entertainment programming.

Optimus, Inc., the leading Chicago film and video post-production company, had a very good year, posting record sales. Additional capabilities were added in 1989 with the purchase of digital audio equipment.

Anheuser-Busch's transportation interests go back more than 100 years. Today the company's original involvement in railcars has expanded to include repair of highway trailers.

St. Louis Refrigerator Car Company

St. Louis Refrigerator Car Company, one of Anheuser-Busch Companies' transportation subsidiaries, provides commercial repair, rebuilding, maintenance and inspection of railroad cars at three facilities in Missouri and Illinois. In 1989, the company completed its 111th year of operation.

Busch Mechanical Services, Inc.—a St. Louis Refrigerator Car subsidiary—operates shops in Belleville and Fairmont City, Ill.; Atlanta, Ga.; and Memphis, Tenn., for the repair of highway trailers on a commercial basis.

The subsidiary's railcar shops had record profits in 1989.

Manufacturers Railway Company

Manufacturers Railway Company, which was 102 years old in 1989, provides terminal rail switching services to St. Louis industries. It operates hopper cars, box cars and insulated beverage cars which are used by Anheuser-Busch and other shippers.

In addition, Manufacturers Railway subsidiaries furnish trucking and warehouse services at six Anheuser-Busch brewery locations.

The Story of Beer

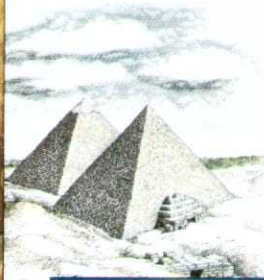
"The King in heaven
eats the bread that Ra eats daily,
and he drinks what Ra drinks.
The bread that he eats never grows stale,
for it is the Bread of Eternity;
his beer never grows sour,
for it is the Beer
of Everlastingness."
Ancient Egyptian Text

Long before Budweiser was born, men and women enjoyed beer. More than 6,000 years ago the refreshing qualities of beer were recognized and enjoyed, and ancient peoples have left records to indicate that they took the brewing of this thirst-quenching beverage very seriously. The Chinese, Inca, African, Babylonian, Assyrian, Egyptian, Hebrew and Saxon are just a few civilizations in which beer has been associated with family life, friendship, romance and celebrations.

Today Anheuser-Busch carries on the tradition of fine brewing that has evolved through the centuries into a true art. Although the taste of beer has changed over the last few thousand years, the enjoyment has remained constant. Other than water, beer is second only to tea as the most popular beverage on earth. And when today's beer drinkers lift a frosty mug of their favorite brew, they can do so knowing that they are in good company, sharing a kinship with pharaohs, kings, queens, statesmen, literary giants, explorers and biblical figures.

Beer has enjoyed a long and illustrious history. Through the years it has been immortalized in songs, stories, poems and legends. Beer consumption has been woven into the fabric of human life since its beginning. The golden nectar has been enjoyed by prominent people in all civilizations. But while beer was considered to be a beverage worthy of kings and gods, it was also enjoyed by people from all walks of society.

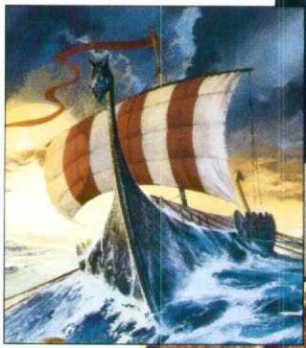
Today, as in the past, beer has no cultural boundaries. Its long tradition of providing healthful refreshment to consumers continues.



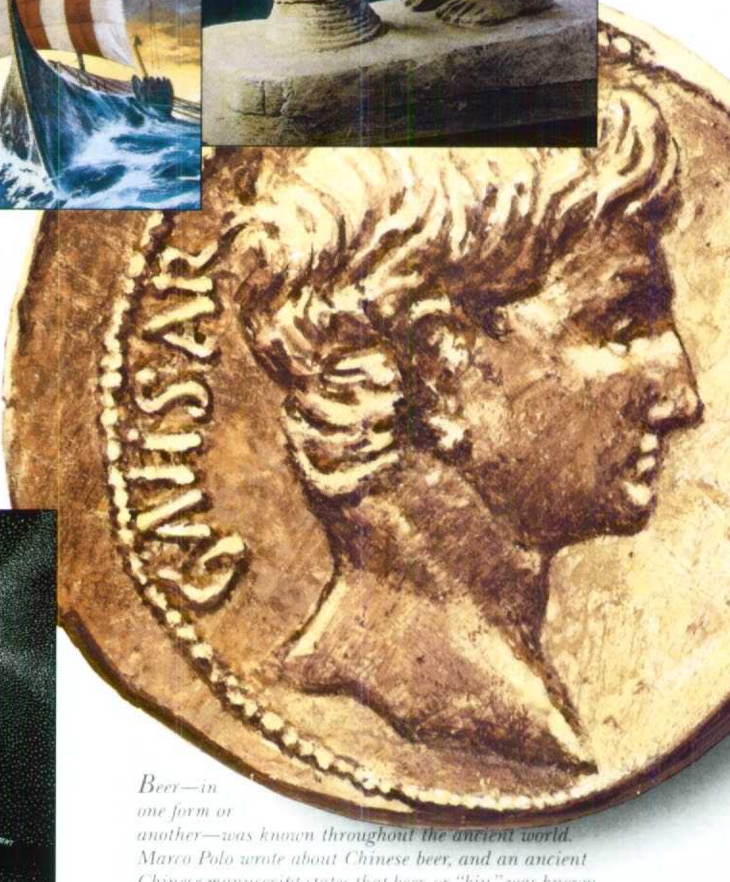
Beer played an important role in Egyptian life. It was thought to have medicinal properties, and in a medical text from 1600 B.C., 100 of 700 prescriptions contain beer. In addition, many social customs revolved around beer. For example, when a young man offered a young lady a sip of his beer, they were considered betrothed.

Archeologists believe that the origin of alcohol goes back at least 200 million years, to the late Paleozoic era. Most likely a crude form of beer was discovered by accident when someone mixed barley with water and then let it sit long enough for stray yeast spores to settle, triggering fermentation.

By the late 1300s, beer was well established as the national drink of England. Its refreshing qualities were enjoyed by both the common folk and the nobility. In fact, Queen Elizabeth I substituted a potent ale for orange juice as her breakfast beverage.



By the end of the Roman Empire, beer, or ale, was well established in Europe. So highly did early Europeans regard beer that ancient Norse legends promised outstanding warriors the ultimate reward in the afterlife—a brimming ale horn.



Perhaps New Zealand writer John Barr best summed up the world's love affair with beer in this tongue-in-cheek tribute:

I have seen the love stars shining
Through bronze hair across
my face,
I have seen white bosoms heaving
Through a wisp of open lace;
But one sight is dear to memory,
And it seemeth brighter far—
Just a guttered candle's flicker
On a tankard on a bar.

Beer—in one form or another—was known throughout the ancient world. Marco Polo wrote about Chinese beer, and an ancient Chinese manuscript states that beer, or "kiu," was known to the Chinese in the 23rd century B.C. More "recently," Julius Caesar toasted his troops with beer when they crossed the Rubicon, and it was customary for him to serve beer to his guests in golden goblets.

Both the taste of beer and the skill of brewmasters have undergone dramatic changes through the centuries. Unusual ingredients and brewing equipment that was plagued with shortcomings forced early beer drinkers to contend with a variety of foreign objects in their beer. Nevertheless, beer has been a diet staple since the first "accidental" brew was created by prehistoric man.

Today, thanks to conscientious quality control efforts by brewers such as Anheuser-Busch, beer consumers can be assured that their brew is pure and that the taste will remain consistent beer after beer.

THE BUDWEISER BREWING PROCESS

1. Ground barley malt and rice are mixed with brewing water in mash tubs and cookers to convert the grain starch to fermentable sugars.

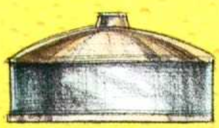
MASH VESSEL

2. The grain mash is strained, leaving a clear amber liquid called wort.

STRAINER

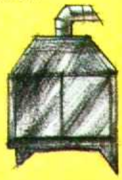
3. The wort is collected in the brew kettle. Hops are added to the wort and the mixture is boiled.

NATURAL HOPS



BREW KETTLE

4. After straining off the spent hops, the wort is clarified and cooled to the right temperature to receive the yeast.



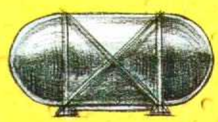
COOLING TOWER

5. The yeast is added as the cooled wort flows to the primary fermentation tanks. For up to six days the yeast ferments the wort sugars to alcohol and carbon dioxide, and the wort becomes beer.

FERMENTATION TANK

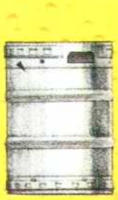
6. The beer from the primary fermentor needs to be clarified and its flavor needs maturation. It is transferred to lager tanks containing beechwood chips, where it is then kraeusened with freshly yeasted wort. Kraeusening starts a secondary fermentation, which results in natural carbonation. This slow and cool process is known as lagering and takes three weeks or longer.

BEECHWOOD CHIPS



LAGER TANK

7. After further clarification and removal of haze-forming proteins by natural tannin in schoene tanks, the beer is finally filtered and packaged in bottles, cans or kegs.

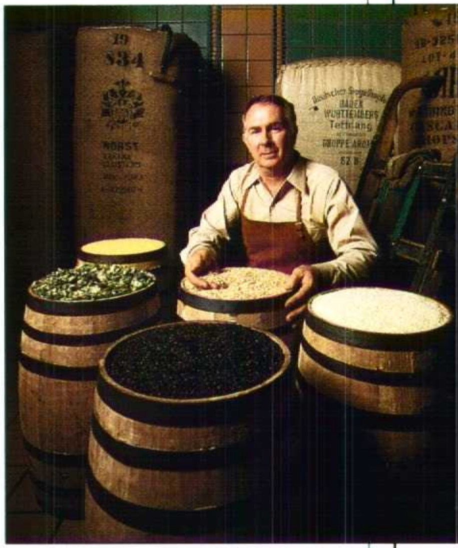


DRAFT KEGS

CANS

BOTTLES

In the 8th century, hops were cultivated for the first time in central Europe rather than picked in the wild. By the 16th century they had become the only accepted spice for beer.

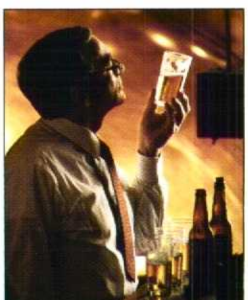


Barley is the basis of most modern beers, giving the brew its flavor, head, body and color. Anheuser-Busch uses more barley per barrel than any other major U.S. brewer. In addition, all Anheuser-Busch beers are brewed naturally, with no artificial ingredients, additives or preservatives.

Peculiar additives such as powdered eggshells, crab claws, oyster shells, tartar salts, wormwood seeds and horehound juice gave ancient beers a unique(!) taste.

While there is evidence that ancient peoples were relatively sophisticated brewers, the quality of their products fell short of today's standards. Egyptians had to drink their beer—called hek—through reeds or tubes so they would not choke on residual hulls of barley left in the brew. Of course, some drank with more style than others. Queen Shu-bad of Mesopotamia, for example, used golden straws long enough to reach from her throne to a large container of beer nearby.

Early quality control left something to be desired. In the Middle Ages, when an English ale house had a new brew an official ale tester would pour a tankard of ale on a wooden bench and then sit down wearing special leather breeches. If his breeches were stuck after a certain period of time, it meant the brew was sugary and weak, and official approval would be denied.



Flavor panels meet daily at Anheuser-Busch headquarters and at each company brewery to judge the aroma, appearance and taste of beer in process and finished beer.

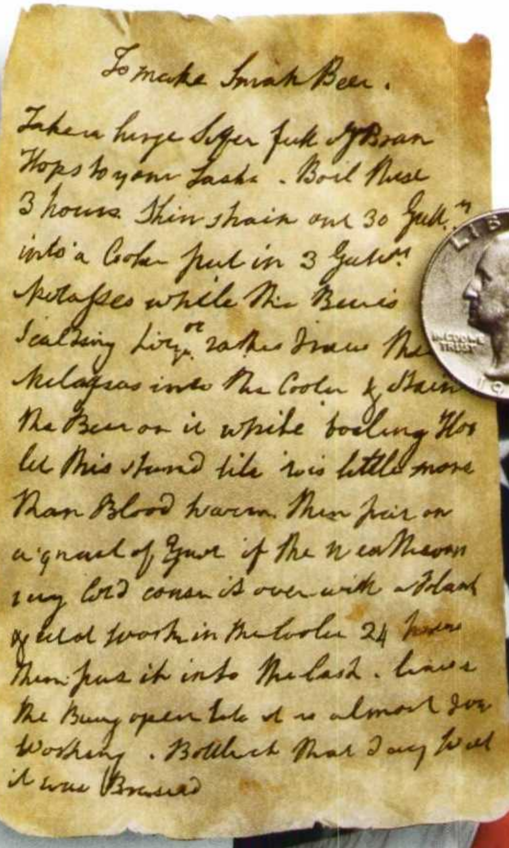
While beer has played a key role in many civilizations, none seems to have embraced it so wholeheartedly as America. From its earliest days, brewing was a valued art in the United States. Brewers were highly respected citizens, and many of our most famous statesmen had their own special recipes for beer.

Americans today, like their patriot counterparts, recognize the refreshing qualities of beer. But fortunately, high-quality beer is much more readily available to us than to the very early European settlers, who had to endure long dry spells as they waited for new supplies to arrive by ship from England.

Beer seems to have played a part in the Pilgrims' decision to land at Plymouth Rock instead of farther south, as intended. A journal kept by one of the passengers states that the Mayflower landed at Plymouth because "we could not now take time for further search or consideration, our victuals being much spent, especially our beere . . ."

Beer was the basis for many American institutions. For example, Vassar—the first privately endowed college for women—was established in 1865 by Matthew Vassar, a Poughkeepsie, N.Y., brewer. A campus song immortalized the school's beneficiary in these words:

And so you see, for old V.C.
Our love shall never fail.
Full well we know
That all we owe
To Matthew Vassar's ale.



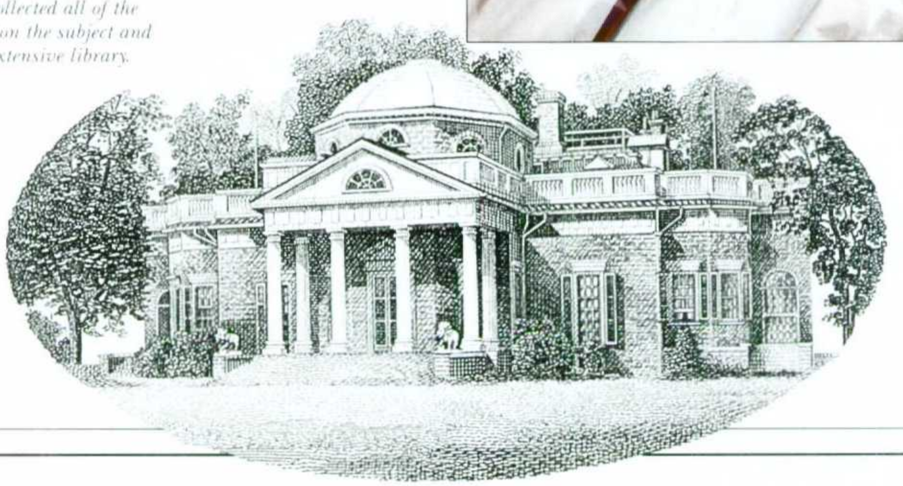
To make Small Beer.

Take a large Siffer full of Bran Hops to your Taste. Boil these 3 hours. Then strain out 30 Gallns into a Cooler put in 3 Gallns Molasses while the Beer is Scalding hot or rather draw the Molasses into the Cooler & strain the Beer on it while boiling Hot let this stand till it is little more than Blood warm. Then put in a quart of Yeast if the weather is very Cold cover it over with a Blank & let it work in the Cooler 24 hours Then put it into the Cask. leave the Bung open till it is almost done working. Bottle it that day Week it was Brewed

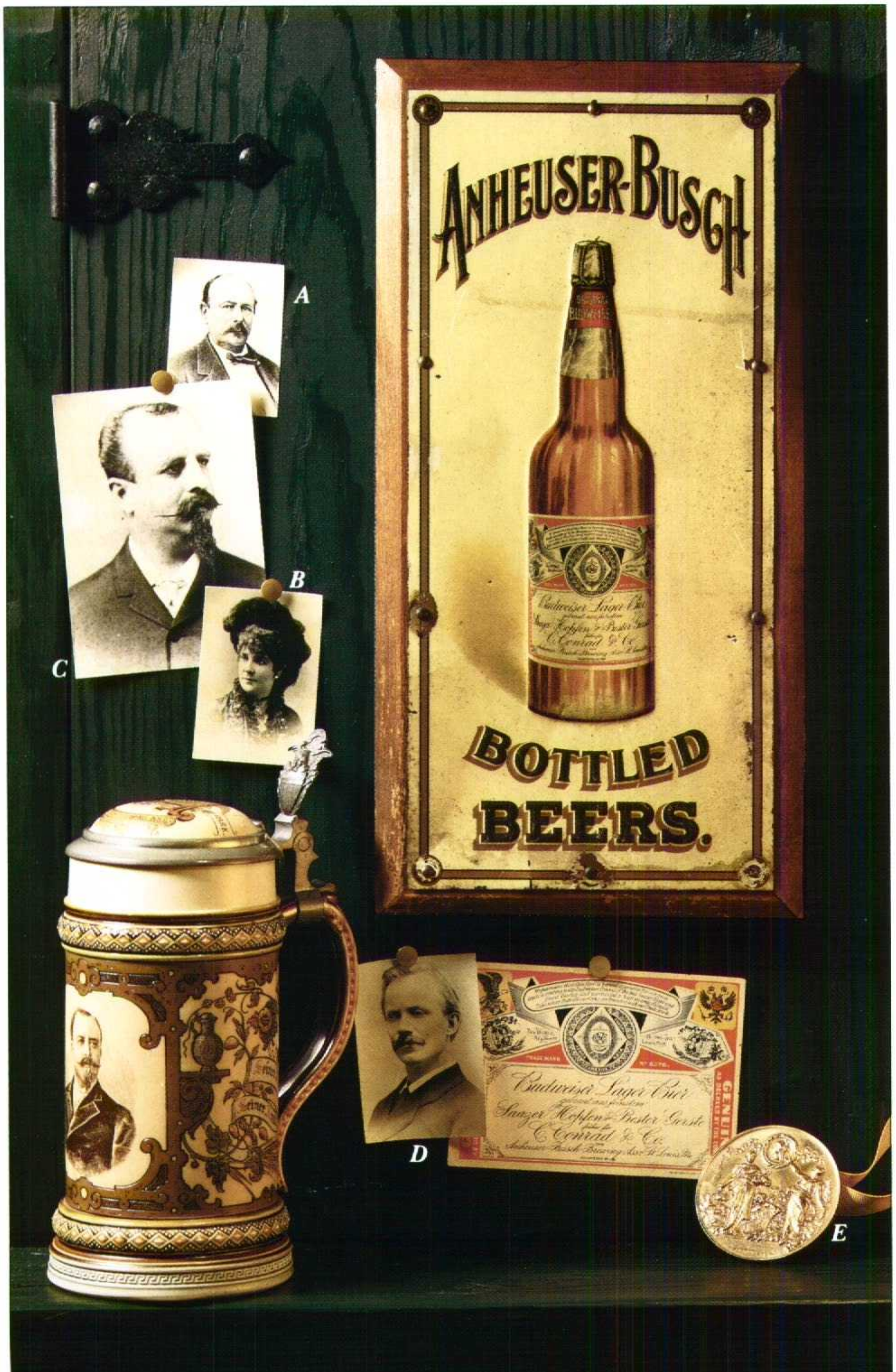
In 1789, the Massachusetts legislature passed an act to encourage the manufacture of "strong beer, ale and other malt liquors . . . The wholesome qualities of malt liquors greatly recommend them to general use as an important means of preserving the health of the citizens of this commonwealth," the legislature said.

Most of the founders of our country were either brewers themselves or strong advocates of beer. George Washington, the "father of our country," had his own brew house on the grounds of Mount Vernon, and his handwritten recipe for beer—dated 1757—is still preserved.

Thomas Jefferson was also interested in brewing and made beer at Monticello. He collected all of the books he could find on the subject and added them to his extensive library.



The flag flying over Fort McHenry that was Francis Scott Key's inspiration for "The Star Spangled Banner" was sewn in a brewery. In addition, after the battle Key went to the Fountain Inn, a pub in Baltimore, to polish the rough draft of our national anthem. That seemed an appropriate place to work on the composition, since the tune of "The Star Spangled Banner" is taken from an old English drinking song.



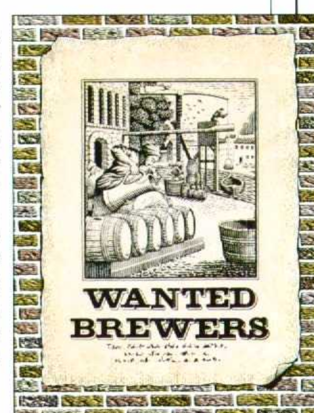
*Anheuser-Busch, the world's largest brewery, was inauspiciously founded in St. Louis, Mo., in 1852, by George Schneider. When the tiny brewery faced bankruptcy just a few years after opening, it was purchased by St. Louis businessmen, including Eberhard Anheuser (**A**), who later bought up the interests of the other owners.*

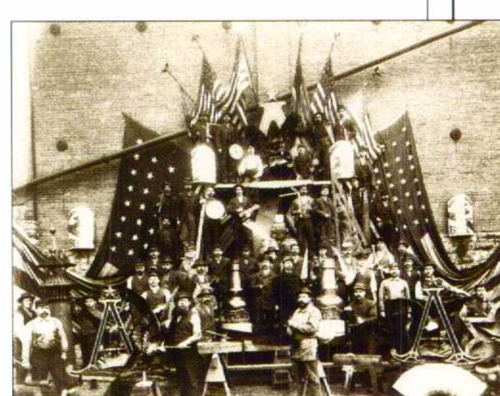
*In 1861, Eberhard Anheuser's daughter, Lilly (**B**), married a young St. Louis brewery supplier named Adolphus Busch (**C**). Adolphus infused the company with sparkle and vision and created a brewing empire.*

*In 1876, collaborating with his close friend Carl Conrad (**D**), Adolphus Busch created Budweiser. Today, more than 100 years later, it is the best-selling beer in the world.*

*Through the years Anheuser-Busch has won numerous awards for brewing excellence (**E**).*

In 1609 colonists placed America's first "help wanted" ad in a London paper. It asked for brewers to come to America. The response was good, and in 1612 America's first brewery opened in New Amsterdam (New York).





In the 1890s, Anheuser-Busch carpenters and tinners posed for an elaborate formal portrait.

Through the ages people have gone to great lengths to ensure that beer is available so they would not be deprived of its pleasurable taste and thirst-quenching attributes. By boat, chariot, train, sled, wagon, plane and truck, beer has found its way into the hands of people in both easy-to-reach and far-flung areas of civilization. In less-than-civilized places, it has even added its own touch of civilization.

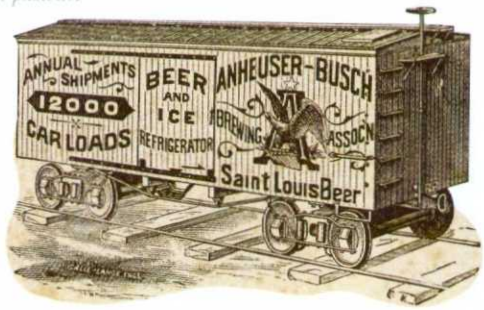
Fortunately for today's consumers, beer is available in all but the most remote places. And even there, dedicated beer drinkers often find ingenious ways to obtain their favorite brews.

During their excavations, archeologists in Nineveh uncovered clay tablets listing beer among the food items taken aboard the ark by Noah. Old Noah obviously knew what was worth saving!

The first beer produced in America was brewed in 1587 at Sir Walter Raleigh's Roanoke colony in Virginia. But it was clearly not very satisfactory, for colonists requested that beer be sent from England, and in 1607 the first shipment of beer left for America. Unfortunately, most of the substantial consignment was drunk by the sailors during the voyage. Whether the ship actually landed and the crew had the courage to face the horde of angry colonists is not clear.

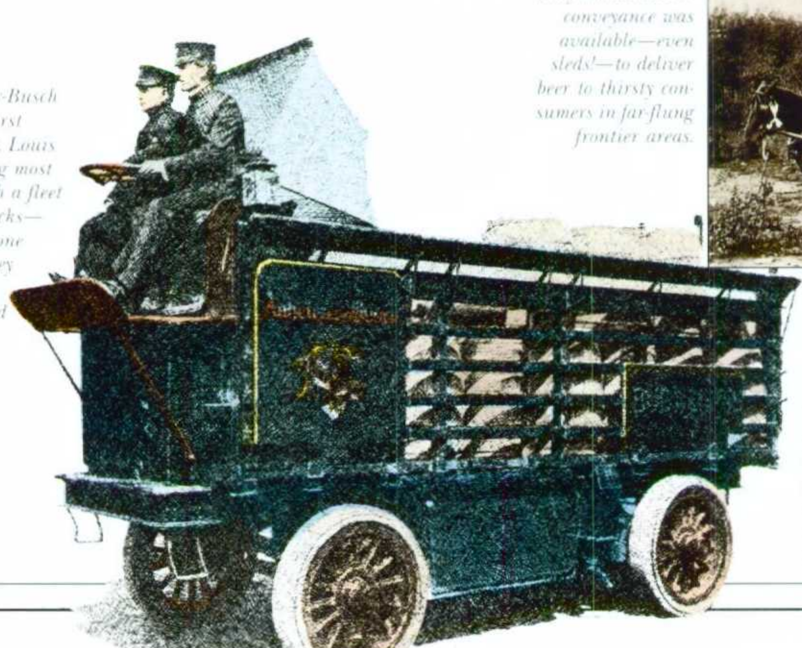
In a land of local beers, Adolphus Busch, founder of Anheuser-Busch, dreamed of a national beer. He created a network of rail-side ice houses to cool cars of beer being shipped long distances. He launched the industry's first fleet of refrigerated freight cars. And he was a pioneer in the application of the pasteurization process.

Through the years, beer has played an integral role in American life. A large supply of beer (more than 2,000 quarts!) was taken by Teddy Roosevelt to Africa in 1909 for his hunting expedition.



Beer has been carried on almost every major expedition of the British Army. And beer shortages have been dealt with in ingenious ways. In 1954 beer was placed in sandbags filled with sawdust and dropped by RAF pilots to troops in the Malayan jungle at Christmas. Arrangements have also been made to allow U.S. soldiers to enjoy their beer. During World War II, Anheuser-Busch produced Budweiser in olive drab cans as a means of camouflage.

Like the U.S. mail, Anheuser-Busch beers always go through. Bad weather or remote destinations were no deterrent to intrepid deliverymen 100 years ago. They used whatever conveyance was available—even sleds!—to deliver beer to thirsty consumers in far-flung frontier areas.



Anheuser-Busch was one of the first companies in St. Louis to start replacing most of its horses with a fleet of motorized trucks—27 electric and one gas-powered. They traveled at the astounding speed of 10 miles per hour and could cover 26 miles on a single battery charge.

Remote destinations still offer a challenge to today's more than 900 Anheuser-Busch wholesalers and 11 company-owned wholesale operations. But modern vehicles and mostly paved roads make the job considerably easier than that of early deliverymen.

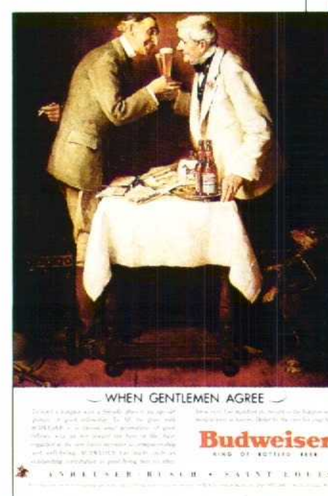
Pub signs were probably among the earliest known forms of beer advertising. Good brewers had their hands full supplying enough beer to keep their thirsty customers satisfied. They had no time to worry about promoting beer, and no medium in which to do it.

Today the story is far different. Brewers vie for increased market share using innovative techniques. Building brand loyalty has become the goal, and the competition is fierce. In addition, while early brewers did only one thing—brew beer—many of today's brewers are branching out into related businesses.

A predecessor of the world-famous Clydesdales, the Budweiser Conestoga wagon with its team of oxen promoted Budweiser throughout the country.

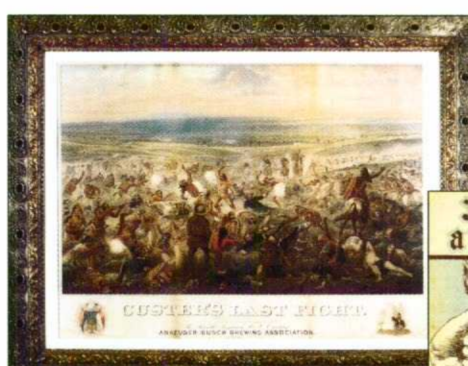
In 1913, Anheuser-Busch introduced the slogan, "Budweiser means moderation." Adolphus Busch strongly promoted the idea that beer was a beverage of moderation. In 1916 the company constructed the Bevo Mill restaurant (still operating) in St. Louis in an attempt to convince Americans that beer was not a beverage drunk only in saloons, as suggested by the Prohibitionists, but in fine restaurants as well.

The whimsical Bevo Fox, chosen in 1916 to represent a nonalcoholic Prohibition era beverage called Bevo, perches on each corner of Anheuser-Busch's 40-acre St. Louis packaging plant, which was built in 1917. It is still the world's largest beer packaging plant.

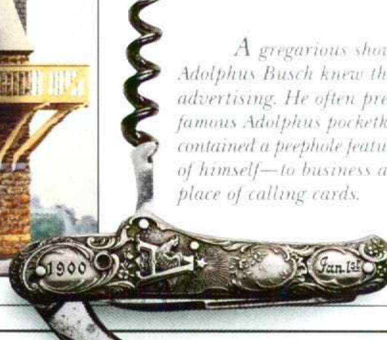


A number of well-known illustrators have also created ads for Anheuser-Busch over the years, including Norman Rockwell.

Through the years, Anheuser-Busch has recognized the importance of innovative marketing. In 1888, the company acquired the "Custer's Last Fight" painting. More than a million copies were produced through the years for display in bars and restaurants.



Before radio and TV, Anheuser-Busch used sheet music to advertise its brands, commissioning songs that contained references to the company or Budweiser in the title or lyrics. This song, for example, was introduced in the Ziegfeld Follies of 1907.



A gregarious showman, Adolphus Busch knew the value of advertising. He often presented the famous Adolphus pocketknife—which contained a peephole featuring a picture of himself—to business associates in place of calling cards.

Dallas-based Campbell Taggart produces the broadest range of bakery products in the industry. It is the leading commercial baker in the Sunbelt and the second-largest commercial baker in the United States.

Campbell Taggart, Inc.

Campbell Taggart is a highly diversified, Dallas-based food products company with operations in about 35% of the United States and in various international markets. In 1989 the company experienced double-digit growth in operating profit.

Bakery Operations

Campbell Taggart's bakery division, which accounts for 66% of the company's sales, enjoyed a year of strong sales and improved profits.

Consumer interest in nutritious, healthful products remains very high. To meet this strong demand, in 1989 Campbell Taggart successfully introduced a series of oat-based products under each of its primary labels.

Two new Grant's Farm breads, Oat Bran and Oatmeal & Toasted Almond, have been extremely well received by consumers. Two new oat breads and a new English muffin, introduced under the Earth Grains label, have contributed to growth in Earth Grains sales. New Family Recipe Split Top Oat Bran bread was introduced under the Colonial, Rainbo and Kilpatrick's labels. In addition, Light Oat Bran bread provides an oat bran entry in the low-calorie segment. Together with Oat Bran hamburger buns, they have been enthusiastically received by consumers.

Existing products also fared well in 1989. The Grant's Farm brand has enjoyed significant growth and was expanded to eight new markets. The expansion was launched with strong radio and television support as well as a public relations media tour that featured a full-size replica of an old-fashioned horse-drawn Grant's Farm bread wagon.

The Break Cake product line, which includes more than 60 items such as cupcakes, doughnuts, fruit pies and honey buns, continues to gain consumer awareness. Its popular "referee" TV campaign provides support for in-store promotions. In addition, Campbell Taggart significantly increased its presence in the snack cake business as it began to distribute Dolly Madison products in Northern California.

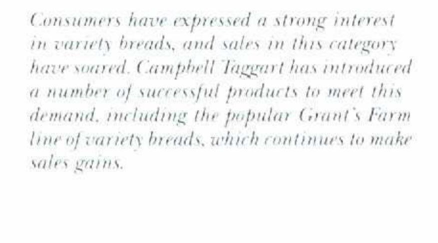
The IronKids program is considered to be one of the finest health and fitness programs in the country for children ages 7-14. In 1990, triathlons will be held in 16 cities.

Now in its fifth year, the Colonial, Rainbo and Kilpatrick's IronKids program continues to gain prestige as one of the country's finest health and fitness programs for children 7-14 years of age. The Rainbo IronKids "Path to Health & Fitness" is a five-unit educational kit mailed to more than 80,000 health and physical fitness teachers across the Campbell Taggart system.

The IronKids Club currently has 15,000 members in 10 markets. In 1989 the IronKids triathlon series was expanded to a total of 13 cities. Three events were run in conjunction with the local YMCA. The national championship, which was held in Dallas, attracted more than 500 young athletes from as far away as South America. In 1990, 16 cities will host Colonial/Rainbo IronKids triathlons.

In 1989 a five-member Colonial/Rainbo IronKids Advisory Board was also created. Members include nutritionists, physicians and Olympic gold medalist athletes. In-store promotions, public relations and advertising will continue to link Campbell Taggart products with fun, fitness and well-being for America's youth.

SALES OF GRANT'S FARM VARIETY BREADS *(Loaves sold in millions)*



Consumers have expressed a strong interest in variety breads, and sales in this category have soared. Campbell Taggart has introduced a number of successful products to meet this demand, including the popular Grant's Farm line of variety breads, which continues to make sales gains.

Refrigerated Products

Through its Merico subsidiary, Campbell Taggart is the largest manufacturer of private label refrigerated dough products in the U.S., with a one-third share of the refrigerated dough market.

In 1989, Merico added oat bran biscuits, bread sticks and English muffins to its line of specialty dough products in order to meet consumer demand for breads that provide more oat fiber. Merico's refrigerated dough line also includes biscuits, dinner rolls, sweet rolls, danish, cookies, breads and bread sticks. In 1988 Merico initiated the first

phase of a multi-million-dollar manufacturing modernization program for its refrigerated dough plants that will be completed in 1992.

The El Charrito frozen Mexican food line is one of the leading Mexican food brands in its area of distribution. The line is produced under the Eagle Crest Foods division, which also markets a variety of other frozen foods, including stuffed potato entrees and side dishes.

Merico also makes a variety of salad dressings, dips and toppings, as well as creamers and dairy and nondairy sour cream, for food service and retail customers. In 1988, Merico introduced its Slender Choice line of dips and nondairy sour cream to the retail grocery market. This line of products is cholesterol- and lactose-free and contains 40% fewer calories than comparable dairy products. Both the number of product offerings and the geographic markets for Slender Choice were expanded in 1989.

In addition, in 1989 Merico introduced a line of single-portion salad dressings targeted toward the food service sector as well as to consumers who want the convenience of preportioned servings.

Frozen Foods

Campbell Taggart's frozen food subsidiary, Eagle Crest Foods, markets a diverse array of products.

In 1989 Eagle Crest introduced Sante Fe-style dinners to its line of El Charrito frozen Mexican food. The three new dinners capture the distinctive taste of foods popular in the Sante Fe region.

In 1988, Eagle Crest Foods introduced its line of Brighton's stuffed potato entrees. The potatoes consist of baked potato filling in a natural russet potato skin and come with a variety of toppings such as broccoli and cheese; ham and cheese; and traditional sour cream and chives. In 1989 the Brighton's line was introduced to eight new markets.

International

Campbell Taggart's international operations experienced another year of sales growth in 1989. The company's Spanish subsidiary, Bimbo, S.A., maintained its position as the market leader in sales of high quality bakery products.

Much of Bimbo's success has been a result of its modernization program which has increased productivity in its bakery operations and route distribution system. Eagle Snacks, which are now distributed nationally in Spain, are also being test marketed in Paris by Le Pain Turner, Campbell Taggart's French baking subsidiary.

Europate, S.A., which manufactures frozen and refrigerated dough products, expanded its sales and distribution and enjoyed another successful year.

CAMPBELL TAGGART DISTRIBUTION AREA (In gray)

Other

Campbell Taggart's folding carton packaging division, which produces folding cartons for sale to other Campbell Taggart divisions and outside customers, reported good results in 1989 despite a very tight paper supply market. During 1989 modifications were made to one of the plant's flexographic printing presses, increasing the printing capability from three to four colors.

Eagle Snacks, Inc.

In 1989 Eagle Snacks continued to move toward its goal of gaining a significant part of the U.S. snack business.

The salted snack industry is growing rapidly, with sales in excess of $10 billion in 1989, and Eagle Snacks is taking steps to gain a major part of that business. In January 1989 Eagle's new Visalia, Calif., snack plant opened, making Eagle potato chips available for the first time on the West Coast.

This successful introduction, which coupled effective advertising support featuring the popular duo of Tony Randall and Jack Klugman with focused trade activities, created strong consumer interest in the product line. Eagle and Cape Cod potato chips already account for approximately 10% of the potato chip business in West Coast supermarkets.

In current markets, Eagle's potato chip and nut business grew more than four market share points in 1989 in major metropolitan areas. The nut business, anchored by a successful Honey Roast line, was expanded last year by six new nut items. The new items, which include traditional peanuts, cashews and mixes, continued to grow in 1989 as Eagle established itself as a full-line supplier to the retail trade.

Eagle Snacks' high-quality snack and nut items are gaining a toehold in the highly competitive snack-food market. This subsidiary's current objective is to more than double its present market share of 4% over the next five years.

Cape Cod popcorn continued its phenomenal growth as the ready-to-eat popcorn category gained in popularity. Cape Cod potato chips also introduced its first flavored chip—all-natural-flavored Dill and Sour Cream chips—in New England.

As a national company, Eagle is now positioned to take advantage of its quality products, well-positioned plants, strong distribution system and effective consumer support programs.

"Authenticity" is the key word at Busch Gardens. Artisans from Fez and Marrakesh spent months in Tampa adorning The Dark Continent's Moroccan Palace with colorful mosaic panels and etched plaster friezes, executed in the centuries-old Moroccan style. With the acquisition of Sea World, Busch Entertainment now operates nine theme parks.

Busch Entertainment Corporation

The highlight of the 1989 season for Busch Entertainment Corporation was the acquisition of Sea World and other theme parks from Harcourt Brace Jovanovich, Inc. With this acquisition, Busch Entertainment became the second-largest theme park operator in the nation.

Parks included in the Sea World acquisition are the Sea World parks in Orlando, Fla., San Antonio, Tex., Aurora, Ohio, and San Diego, Calif.; Cypress Gardens in Winter Haven, Fla.; and Boardwalk and Baseball in Orlando, Fla. Attendance at these parks was about 14 million in 1989.

The amusement park operation at Boardwalk and Baseball, which has never been profitable, was closed following the acquisition after a thorough review of the long-term outlook for the park. The park's baseball complex will continue to operate while the long-term uses for the development are evaluated.

The Sea World/Cypress Gardens acquisition increased Busch Entertainment's theme park operations to nine.

In addition, in 1989 Busch Entertainment announced plans to construct a theme park and resort complex in Spain near Barcelona. The park will feature five themed villages and is expected to open in 1993. The resort component of the development will be modeled after the Kingsmill resort in Williamsburg and will feature a world-class hotel and conference center, swimming and tennis facilities and an 18-hole golf course.

Kingsmill on the James in Williamsburg, Va., is Busch Properties' principal holding. As with all Anheuser-Busch operations, quality is the foremost consideration. The result of this philosophy is illustrated by the fact that in its first year of operation, the Kingsmill Conference Center was judged to be one of the 10 best conference centers in the United States by corporate meeting planners.

Current Busch Entertainment Corporation facilities include Busch Gardens—The Old Country, in Williamsburg, Va.; Busch Gardens—The Dark Continent, in Tampa, Fla.; Adventure Island in Tampa, Fla.; and Sesame Place in Langhorne, Pa.

The Williamsburg Busch Gardens experienced a slightly lower attendance of 2.05 million visitors in 1989 compared to 2.1 million in 1988, when the park introduced a major white-water raft ride. In 1989 the park added an original Broadway-style musical revue, "Stage Struck."

At the Tampa Busch Gardens, a new water ride, the "Tanganyika Tidal Wave," was introduced in 1989. The park also added an Australian-themed exhibit featuring koalas on loan from the San Diego Zoo and a Clydesdale hamlet. Attendance at the Tampa Busch Gardens declined, as anticipated, by 9.4% to 3.05 million visitors from the 3.4 million record attendance set in 1988 when the park hosted a pair of rare giant pandas on loan from the People's Republic of China.

Adventure Island hosted a record 482,000 guests in 1989, an increase of 15%. A triple-tube water slide, the "Water Moccasin," was introduced in 1989.

At Sesame Place, Busch Entertainment's children's play park, attendance declined 5% due to unusually bad weather during the peak summer months. Attendance for 1989 was 704,000 guests. The park introduced all-new versions of the "Big Bird and Company" show and a new special effects video adventure activity.

Busch Properties, Inc.

Busch Properties' holdings include Kingsmill on the James, a 2,900-acre resort and residential community in Williamsburg, Va.

After its first year of operation, the new Kingsmill Conference Center was judged to be one of the 10 best conference centers in the United States by corporate meeting planners. The 60,000-square-foot, four-level center contains eight meeting rooms equipped with state-of-the-art audiovisual equipment. A dining facility and cocktail lounge overlook the James River and Kingsmill's River Golf Course. Conference guests are lodged in condominiums overlooking the James River, the River Golf Course or the tennis center.

LARGEST U.S. THEME PARK COMPANIES (Based on 1989 attendance)

1. DISNEY
2. **BUSCH ENTERTAINMENT**
3. SIX FLAGS
4. KINGS ENTERTAINMENT
5. UNIVERSAL STUDIOS

A nine-hole executive golf course adjacent to the conference center opened in the spring of 1989. Kingsmill now has a total of 45 holes of golf available for members and guests.

The St. Louis Cardinals had record season ticket sales in 1989. With roots stretching back more than 112 years, the Redbirds have won more World Championships than any other National League team.

The annual Anheuser-Busch Golf Classic, a regular PGA Tour event since 1977, was again held on Kingsmill's River Golf Course in July.

The office market strengthened in Columbus, Ohio, resulting in an improved performance by the Busch Corporate Center located there. Construction of a new 100,000-square-foot office building was completed in the spring of 1989. By year end it was nearly 50% leased.

St. Louis National Baseball Club, Inc.

The St. Louis Cardinals, the company's major league baseball subsidiary, remained in the National League Eastern Division pennant race until the final week of the 1989 season. It was an exciting close for one of the club's most successful decades on record, a decade during which the team won three National League Pennants and one World Championship. In addition, The St. Louis National Baseball Club was named "Organization of the Decade" by Baseball America newspaper.

The Redbirds led the National League in attendance in 1989, attracting 3,080,980 fans to set a club record. The Cardinals' season attendance total was the second-highest in baseball for 1989 and ranks eighth among baseball's all-time season attendance figures. The club also upped its season ticket sales to a record 20,311.

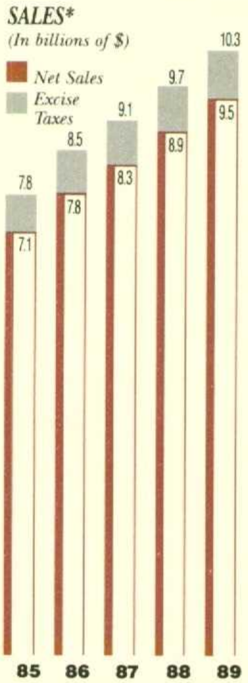
Civic Center Corporation

Busch Stadium, Civic Center's key downtown St. Louis property, enjoyed an exceptionally good year in 1989. Stadium revenues benefitted from the St. Louis Cardinals' National League-leading attendance. Busch Stadium also hosted two concerts with record St. Louis attendance levels.

In addition to Busch Stadium, Civic Center owns four parking garages adjacent to or near the stadium and 2-3/4 downtown city blocks currently used for parking.

ANHEUSER-BUSCH COMPANIES, INC.

Contents



*Number on top of each graph indicates gross sales.

Management's Discussion and Analysis of Operations and Financial Condition

Introduction

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity/cash flows of Anheuser-Busch Companies, Inc. during the three-year period ended December 31, 1989. This discussion should be read in conjunction with the financial statements and notes thereto included in this Annual Report.

As more fully discussed in Footnote 2 to the consolidated financial statements, on December 1, 1989 Busch Entertainment Corporation (the company's entertainment subsidiary) purchased from Harcourt Brace Jovanovich, Inc. (HBJ) 100% of the stock of the companies of HBJ which owned four Sea World Parks, two other theme parks and certain land holdings (Sea World). The purchase price was $975 million for the theme parks for a total of $1.1 billion including the land. The acquisition has been reflected in the financial statements using the purchase method of accounting. Accordingly, the Consolidated Statement of Income and the Consolidated Statement of Cash Flows include the operations of Sea World from December 1, 1989 through December 31, 1989. The operating results/cash flows of Sea World did not have a significant impact on consolidated operating results or consolidated operating cash flow for 1989.

During 1988, the company disposed of its Busch Industrial Products and Old America Stores operations. In 1987, the company sold Exploration Cruise Lines. The gains/losses on these dispositions (either individually or in the aggregate) did not have a material impact on the company's consolidated financial statements. The operations of these businesses (either individually or in the aggregate) were not material to the company's consolidated financial statements.

Operations

Sales

Anheuser-Busch Companies, Inc. achieved record gross sales during 1989 of $10.28 billion, a 6.0% increase over 1988 gross sales of $9.71 billion. Gross sales during 1987 were $9.11 billion. Gross sales include federal and state excise taxes of $802.3 million in 1989, $781.0 million in 1988 and $760.7 million in 1987.

Net sales were a record $9.48 billion in 1989, an increase of $557 million or 6.2% over 1988 net sales of $8.92 billion. Net sales during 1987 were $8.35 billion. The increase in dollar sales over the three-year period primarily results from increases in beer sales volume and higher revenue per barrel, as well as higher overall sales by the company's food products and entertainment subsidiaries.

Anheuser-Busch, Inc., the company's brewing subsidiary and largest contributor to consolidated sales, sold an all-time industry record of 80.7 million barrels of beer in 1989. This represents an increase of 2.2 million barrels or 2.8% over 1988 beer volume sales of 78.5 million barrels and follows volume sales gains of 2.4 million barrels in 1988 and 3.8 million barrels in 1987. The 1988 and 1987 sales volume gains represent increases

of 3.2% and 5.2%, respectively. During the same periods, revenue per barrel has increased 2.8%, 2.9% and 1.0%, respectively.

Industry beer volume sales in 1989 increased slightly with demand in the second half of the year, improving relative to recent years. Anheuser-Busch led all brewers in sales volume gains, with growth exceeding the total beer industry by a factor of more than three-to-one. Anheuser-Busch, Inc.'s volume sales for 1989 represent approximately 42.1% of total brewing industry sales (including imports), as estimated by The Beer Institute, compared with 41.1% in 1988 and 39.9% in 1987.

The trend toward industry consolidation accelerated in 1989 with competition for volume increasing. This, coupled with excess capacity, has led several of the company's major competitors to increase price discounting on their premium brands and to more aggressively market their low-price brands. While Anheuser-Busch was very reluctant to discount its high-quality premium brands to the same extent as competition, the widening price spreads slowed the growth of the company's premium-priced brands in some markets and the company elected to meet competitors' premium price levels in those markets.

This strategy slowed earnings growth in the last half of 1989. However, future sales volume gains which the company believes will result from this market share growth strategy will pay off in an even stronger market position and in higher earnings for the company and its wholesalers.

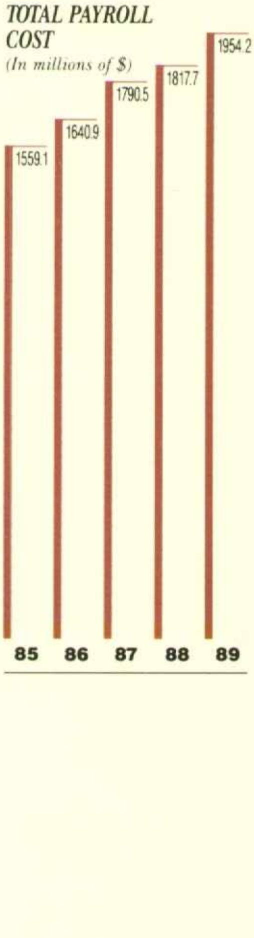
Cost of Products and Services

Cost of products and services for 1989 was $6.27 billion, a 7.7% increase over the $5.83 billion reported in 1988. This increase follows an 8.4% and 6.9% increase in 1988 and 1987, respectively. These increases primarily relate to higher beer sales volume, higher sales activity of the company's other subsidiaries, 1988 start-up costs associated with the company's new Fort Collins, Colo., brewery, higher 1989 and 1988 raw material costs resulting from the 1988 summer drought and higher packaging material costs. Such increases, however, have been offset partially by the company's ongoing productivity improvement and cost reduction programs.

As a percent of net sales, cost of products and services sold was 66.2% in 1989 as compared to 65.3% in 1988 and 64.4% in 1987. The increase in cost of products and services as a percent of net sales has risen over the past three years due primarily to higher raw material costs.

Marketing, Distribution and Administrative Expenses

Marketing, distribution and administrative expenses for 1989 were $1.88 billion, an increase of 2.3% over 1988. This increase compares to increases of .4% for 1988 and 6.8% for 1987. These expenses include approximately $610 million, $560 million and $545 million in 1989, 1988 and 1987, respectively, of selling, delivery and general operating expenses associated with the company's wholesale baking operations and its company-owned beer and snack foods wholesale operations.



Marketing, distribution and administrative expenses have increased over the past three years as a result of the higher level of sales activity in each business segment, continuing development of new products and beer brands together with new advertising and marketing programs, and the expansion of snack distribution. Areas significantly affected by these factors since 1986 include media advertising, point-of-sale materials and developmental expenses associated with new advertising and marketing programs for established as well as new products; operating expenses of company-owned beer wholesale operations; bakery and snack foods selling, delivery and general operating expenses; payroll and related costs; business taxes; depreciation; supplies; and general operating expenses.

Taxes and Payroll Costs

The company is significantly impacted by federal, state and local taxes each year. Taxes applicable to 1989 operations (not including the many indirect taxes included in materials and services purchased) totaled $1.48 billion and highlight the burden of taxation on the company and the brewing industry in general. Taxes for 1989 increased $58.9 million or 4.2% over 1988 taxes of $1.42 billion. This increase follows increases of .8% in 1988 and 5.5% in 1987 and results principally from increased beer excise taxes related to higher beer sales volumes. Taxes for 1989 were also impacted by higher income taxes related to the company's increased earnings level.

The Tax Reform Act of 1986 included several provisions which have impacted the company during the three-year period 1987-1989 and will impact the company in future years. The primary provisions of the Act which impact Anheuser-Busch include repeal of the investment tax credit, the lowering of the statutory federal tax rate to 40% in 1987 and 34% in 1988 and future years, and reduction of the benefits of accelerated tax depreciation on new asset additions. Overall, the tax legislation had a positive effect on 1987 and 1988 earnings and cash flow (compared to prior years) as a result of the lower statutory federal tax rates. The Act did not have a significant effect on the company in 1989 (as compared to 1988), as the statutory federal tax rates did not change.

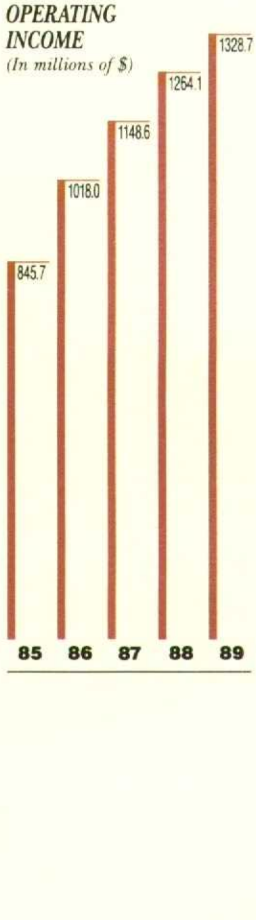
As discussed in Note 1 to the Consolidated Financial Statements, in December 1987 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 96 (FAS 96), Accounting for Income Taxes. FAS 96 has subsequently been amended by the FASB and the required adoption date has been postponed until fiscal years beginning after December 15, 1991. The FASB is also currently re-evaluating certain of the major provisions of FAS 96. Management has not yet made a decision as to when (1990, 1991 or 1992) FAS 96 will be adopted or the adoption methodology (restatement or one-time adjustment to earnings) which will be utilized. Had the company adopted FAS 96 in 1989 in its present form, retained earnings would have increased and deferred income taxes would have decreased by approximately $160 million at December 31, 1989. Future statutory tax rate changes (or amendments to FAS 96 provisions) could alter the magnitude of the FAS 96 impact estimate.

Payroll costs during 1989 totaled $1.95 billion, an increase of $136 million or 7.5% over 1988 payroll costs of $1.82 billion. This increase follows a 1.5% increase in payroll costs in 1988 over 1987 and a 9.2% increase in payroll costs in 1987 over 1986. The increase in payroll costs reflects the effect of normal/negotiated increases in salary and wage rates and benefit costs.

Salaries and wages paid during 1989 totaled $1.62 billion. Pension, life insurance and welfare benefits amounted to $200 million and payroll taxes were $138 million. Employment at December 31, 1989 was 46,608 compared to 41,118 at December 31, 1988. The increase in employment in 1989 compared to 1988 is primarily related to the Sea World acquisition.

The company provides health care and life insurance benefits to certain retired employees who attain specified age and years of service requirements. The cost of such benefits is recognized as an expense as claims are paid and was not material for any of the years presented.

In February 1989, the Financial Accounting Standards Board issued an exposure draft—"Employers' Accounting for Postretirement Benefits other than Pensions". The proposed standard would require the recognition of Postretirement Benefits expense on an accrual basis. Management is currently evaluating the potential impact of the exposure draft and method and timing of its adoption.



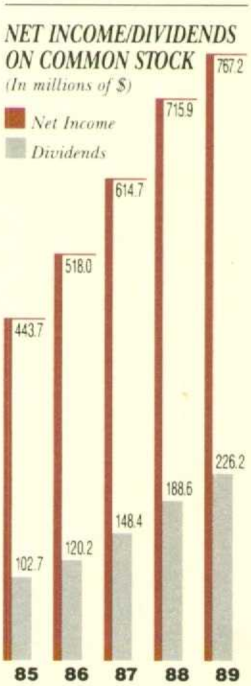
Operating Income

Operating income, the measure of the company's performance before interest costs and other expenses, was $1.33 billion in 1989, a $64.6 million increase or 5.1% over 1988. Operating income was $1.15 billion in 1987. Operating income as a percent of net sales was 14.0% in 1989 as compared to 14.2% in 1988 and 13.8% in 1987.

Net Interest Cost/Interest Capitalized

Net interest cost, or interest expense less interest income, before capitalization of interest, was $165.3 million in 1989, an increase of $33.5 million when compared to 1988 net interest cost of $131.8 million. Net interest cost in 1987 was $114.7 million. The increase in net interest cost over the past three years is due primarily to the issuance of short-term, medium-term and long-term debt as well as a lower level of interest income. Specific information regarding company financing is presented in the Liquidity and Capital Resources section of this discussion.

Interest capitalized increased $7.3 million in 1989 as compared to 1988. The increase resulted from a higher level of qualified expenditures and a higher average capitalization rate. Interest capitalized increased $3.9 million in 1988 as compared to 1987. The increase resulted from a higher level of qualified expenditures partially offset by a lower average capitalization rate. Specific information regarding the capital expenditures program of the company is presented in the Liquidity and Capital Resources section of this discussion.



Other Income/(Expense), Net

Other income, net, was $11.8 million in 1989, compared to net expense of $16.4 million in 1988. Other income/(expense) includes items of a non-operating nature which do not have a material impact on the company's consolidated results of operations (either individually or in the aggregate). The change in 1989 compared to 1988 results primarily from reduced losses on the disposition of non-operating assets, early retirement of debt and higher earnings of non-consolidated affiliates.

Net Income

Net income for 1989 was $767.2 million, an increase of 7.2% compared with $715.9 million for 1988. Net income for 1987 was $614.7 million. Earnings per share of common stock for 1989 were $2.68, an increase of 9.4% compared with $2.45 for 1988. Earnings per share for 1987 were $2.04.

Net income for 1988 represented an increase of 16.5% over 1987 net income. Earnings per share in 1988 represent an increase of 20.1% compared to 1987.

Earnings per share growth over the past three years has benefited from the company's share repurchase program.

The effective tax rate was 37.5% in 1989, 38.3% in 1988 and 42.2% in 1987. The decrease in the effective tax rate in 1988 as compared to 1987 is primarily due to the lower federal statutory rates mandated by the Tax Reform Act of 1986.

Financial Position

Liquidity and Capital Resources

The company's primary sources of liquidity are cash provided from operating activities and external debt. Information on the company's consolidated cash flows (operating activities, financing activities and investing activities) for the past three years is set forth in the Consolidated Statement of Cash Flows on page 48 of this report.

Working capital at December 31, 1989 was a $25.7 million deficit as compared to year-end 1988 working capital of $15.2 million.

During 1989 and 1988, the company issued the following long-term and medium-term debt:

- $350 million, 9% Debentures due 2009—issued in December 1989.
- $250 million, 8-3/4% Notes due 1999—issued in December 1989.
- $241.7 million, 8% Convertible Debentures due 1996—issued in November 1989.
- $100 million, 9-1/8% Eurodollar Notes due 1992—issued in August 1988.
- $200 million, 10% Sinking Fund Debentures due 2018—issued in July 1988.
- $59 million medium-term notes due 1990 to 1991 (interest rates from 7.5% to 8.2%)—issued during the first quarter 1988.

Additionally, at December 31, 1989 there was $484 million of commercial paper borrowings outstanding classified as long-term debt. The commercial paper is expected

to be maintained on a long-term basis, with ongoing credit provided by the company's $500 million revolving credit agreements.

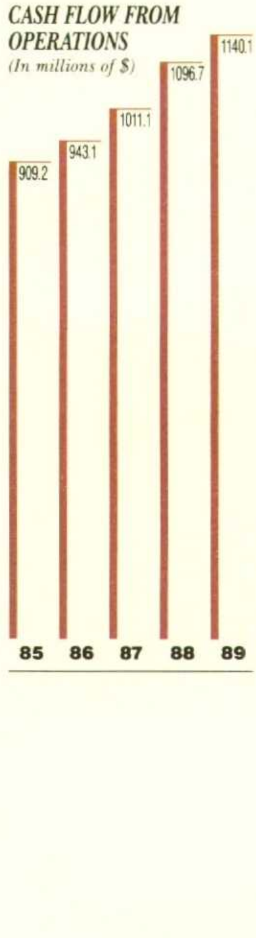
During 1988 the company retired the following long-term debt issues:

- $79.9 million, 11-7/8% Sinking Fund Debentures—retired in April 1988.
- $50 million, 15-3/8% Notes—retired in May 1988.

No significant debt issues were retired during 1989. Gains/losses on the above noted debt retirements were not material to the company's consolidated financial statements.

The company has fully hedged its foreign currency exposure for interest and principal payments on its foreign currency denominated debt through agreements with various lending institutions.

The 8% Convertible Debentures issued in November 1989 are part of the company's Wholesaler Investment Program and may be converted into common stock of the company. The company believes its strong wholesaler network is a major factor in its long-term growth. Therefore, the company believes that affording wholesalers the opportunity to invest in the company will further this goal. A total of $300 million of the Convertible Debentures were registered with the Securities and Exchange Commission. The Convertible Debentures will result in the presentation of fully diluted earnings per share beginning in 1990. The Debentures did not impact the calculation of earnings per share in 1989.



During 1989, the company filed a shelf registration with the Securities and Exchange Commission for $575 million of debt securities. As of December 31, 1989, $400 million remained available for issuance under this and previous shelf registration statements.

During the next five years, the company plans to continue its extensive capital expenditure program designed to take advantage of growth opportunities for its beer and beer-related, food products and entertainment segments. Cash flow from operations will provide the principal support for these capital investments. However, a capital expenditure program of this magnitude (together with the company's previously announced share repurchase program) may require external financing from time to time. The nature and timing of external financing will vary depending upon the company's evaluation of existing market conditions and other economic factors.

In addition to its long-term debt financing, the company has access to the short-term capital market utilizing its bank credit agreements and commercial paper to finance short-term working capital requirements and as a bridge to permanent financing.

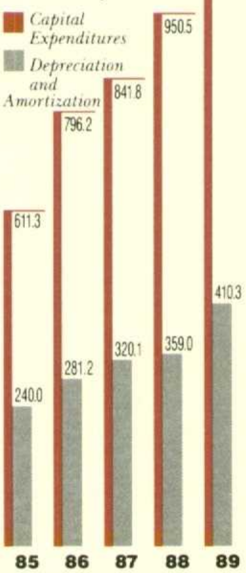
In connection with the acquisition of Sea World, the company entered into a 60-day line of credit arrangement totalling $700 million set to expire December 31, 1989. In December 1989, $440 million was borrowed under this agreement for a period of 15 days at a weighted average interest rate of 8.5%. The company extended $500 million of the agreement through the end of January 1990. At December 31, 1989 the company had no outstanding borrowings under the agreement.

The company has formal bank credit agreements which provide for maximum borrowings of $500 million. These agreements, the details of which are discussed in Note 4

to the Consolidated Financial Statements, provide the company with immediate and continuing sources of liquidity.

The company's ratio of total debt to total debt plus equity was 52.4%, 34.2% and 33.0% at December 31, 1989, 1988 and 1987, respectively. The significant increase in this ratio at December 31, 1989 is due to the financing of the Sea World acquisition and the accounting for the leveraged ESOP as discussed below. Additionally, the company's fixed charge coverage ratio was 6.6 for the year ended December 31, 1989 and 7.4 for the years ended December 31, 1988 and 1987. Excluding the impact of the leveraged ESOP, the fixed charge coverage ratio was 6.9 for 1989.

CAPITAL EXPENDITURES/ DEPRECIATION AND AMORTIZATION
(In millions of $)



As more fully described in Note 7 to the Consolidated Financial Statements, during 1989 the company established an employee stock ownership plan (ESOP) feature for its existing Deferred Income Stock Purchase and Savings Plans (401-k plans) for approximately 50% of salaried and hourly employees. The ESOP is expected to enhance stock ownership of employee participants and improve shareholder value. Under the new ESOP feature the plans borrowed $500 million, guaranteed by the company, and used the proceeds to buy approximately 11.3 million shares of common stock from the company. The ESOP shares will be allocated to participants over the next 15 years as contributions are made to the plan. Through the various company stock ownership plans, employees of Anheuser-Busch will control approximately 10% of the company's outstanding common stock.

In June, the company purchased 12.5 million shares of company stock, via a "Dutch Auction" self-tender at $44.00 per share, for a total cost of $550 million. These common stock purchases offset the earnings per share dilution which would have otherwise resulted from the sale of shares to the ESOP by the company.

Capital Expenditures

The company has a formalized and intensive review procedure for all capital expenditures. The most important measure of acceptability of a capital project is its projected discounted cash flow return on investment.

Capital expenditures in 1989 amounted to $1.1 billion as compared with $950.5 million in 1988. During the past five years, capital expenditures totaled $4.3 billion.

Capital expenditures for 1989 for the company's beer and beer-related operations were $846.6 million. Major expenditures by the company's brewing subsidiary included initiation of construction of the company's new brewery in Cartersville, Ga., and numerous modernization projects designed to improve productivity at all breweries.

The remaining 1989 capital expenditures totaling $230.1 million were made by the company's food products and entertainment operations. Major expenditures include numerous Campbell Taggart and Eagle Snacks modernization and productivity improvement projects, as well as new Busch Entertainment attractions.

The company expects its capital expenditures in 1990 to approximate $1.1 billion. Capital expenditures during the five-year period 1990-1994 are expected to exceed $4.4 billion.

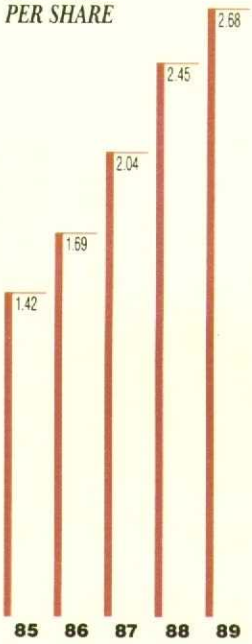
Dividends

Cash dividends paid to common shareholders were $226.2 million in 1989 and $188.6 million in 1988. Dividends on common stock are paid in the months of March, June, September and December of each year. In the second quarter of 1989, effective with the September dividend, the Board of Directors increased the quarterly dividend rate by 22.2%, from $.18 to $.22 per share. Annual dividends per common share increased 21.2% in 1989 to $.80 per share compared to $.66 per share in 1988. In 1989, dividends were $.18 for each of the first two quarters and $.22 for the last two quarters, as compared to $.15 for the first two quarters and $.18 for the last two quarters of 1988.

The company has paid dividends in each of the past 57 years. During that time company stock has split on seven different occasions and stock dividends were paid three times.

At December 31, 1989, common shareholders of record numbered 66,709 compared with 72,967 at the end of 1988.

EARNINGS PER SHARE



Price Range of Common Stock

The company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "BUD." The table below summarizes the high and low closing prices on the NYSE.

PRICE RANGE OF COMMON STOCK

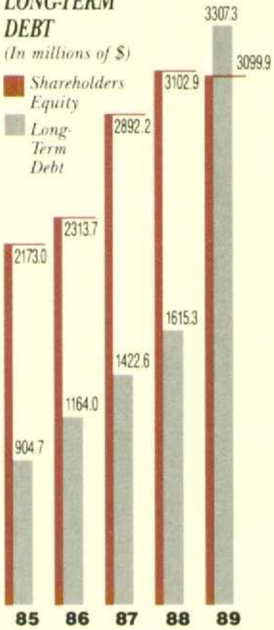
	1989		*1988*	
Quarter	*High*	*Low*	*High*	*Low*
First	35-1/2	30-5/8	33-3/8	30-1/8
Second	44-1/8	35-1/2	32-1/2	29-5/8
Third	45-7/8	40	33-1/8	29-1/8
Fourth	43-1/4	36-3/8	34-1/8	30

The closing price of the company's common stock at December 31, 1989 and 1988 was $38-1/2 and $31-1/2, respectively.

Common Stock and Other Shareholders Equity

Shareholders equity was $3.09 billion at December 31, 1989, as compared with $3.10 billion at December 31, 1988. The decrease in 1989 represents the retention of $541 million of earnings in the business offset by the effect of the self-tender, treasury share repur-

SHAREHOLDERS EQUITY/ LONG-TERM DEBT
(In millions of $)



chases and leveraged ESOP transaction. The book value of each common share of stock at December 31, 1989 and 1988 was $10.95.

In 1989, the return on average shareholder equity was 24.7% as compared with 23.9% in 1988.

The Board of Directors has approved various resolutions in recent years authorizing the company to purchase shares of its common stock to meet the requirements of the company's various stock purchase and savings plans and to meet the requirements for the conversion to common stock of preferred stock issued in connection with the acquisition of Campbell Taggart. The company has acquired 14,736,400, 13,671,800 and 7,447,866 shares of common stock in 1989, 1988 and 1987 for $624.4, $416.9 and $234.7 million, respectively. At December 31, 1989, approximately 10 million shares were available for repurchase under existing Board of Director resolutions.

In December 1989, the company completed its previously announced secondary offering, which resulted in the sale of 7.8 million shares of common stock at $36-5/8 per share. The shares became available as a result of the termination of the Busch family trusts and were sold through the secondary offering in order to allow for an orderly distribution into the marketplace. Anheuser-Busch did not receive any of the sales proceeds associated with the secondary offering.

Inflation

General inflation has not had a significant impact on the company over the past three years nor is it expected to have a significant impact in the foreseeable future. Comments concerning increases in the company's raw material costs as a result of the 1988 drought are contained under the Cost of Products and Services caption of this discussion.

Responsibility for Financial Statements

The management of Anheuser-Busch Companies, Inc. is responsible for the financial statements and other information included in this annual report. Management has selected those generally accepted accounting principles it considers appropriate to prepare the financial statements and other data contained herein.

The company maintains accounting and reporting systems, supported by an internal accounting control system, which management believes are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements. During 1989, the company's internal auditors, in conjunction with Price Waterhouse, its independent accountants, performed a comprehensive review of the adequacy of the company's internal accounting control system. Based on the comprehensive review, it is management's opinion that the company has an effective system of internal accounting control.

The Audit Committee of the Board of Directors, which consists of seven non-management directors, oversees the company's financial reporting and internal control systems, recommends selection of the company's public accountants and meets with the public accountants and internal auditors to review the overall scope and specific plans for their respective audits. The Committee held five meetings during 1989. A more complete description of the functions performed by the Audit Committee can be found in the company's Proxy Statement.

The report of Price Waterhouse on its examinations of the consolidated financial statements of the company appears below.

Report of Independent Accountants

Price Waterhouse

One Boatmen's Plaza
St. Louis, MO 63101

February 5, 1990

To the Shareholders and Board of Directors of
Anheuser-Busch Companies, Inc.

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statements of Income, Changes in Shareholders Equity and Cash Flows present fairly, in all material respects, the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Consolidated Balance Sheet

Anheuser-Busch Companies, Inc., and Subsidiaries

ASSETS (In millions)

DECEMBER 31,	1989	1988
CURRENT ASSETS:		
Cash and marketable securities	$ 36.4	$ 63.9
Accounts and notes receivable, less allowance for doubtful accounts of $4.2 in 1989 and $4.1 in 1988	527.8	463.1
Inventories—		
Raw materials and supplies	314.6	344.6
Work in process	99.0	84.7
Finished goods	118.1	82.9
Total inventories	531.7	512.2
Other current assets	181.0	155.1
Total current assets	1,276.9	1,194.3
INVESTMENTS AND OTHER ASSETS:		
Investments in and advances to affiliated companies	87.4	82.3
Investment properties	141.1	34.9
Deferred charges and other non-current assets	312.2	225.7
Excess of cost over net assets of acquired businesses, net	536.8	104.9
	1,077.5	447.8
PLANT AND EQUIPMENT:		
Land	289.6	126.6
Buildings	2,683.1	2,085.1
Machinery and equipment	5,504.2	4,715.0
Construction in progress	711.0	716.3
	9,187.9	7,643.0
Accumulated depreciation	(2,516.6)	(2,175.3)
	6,671.3	5,467.7
	$9,025.7	$7,109.8

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 49-59 of this report.

LIABILITIES AND SHAREHOLDERS EQUITY *(In millions)*		
DECEMBER 31,	*1989*	*1988*
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 104.0	$ —
Accounts payable	608.0	568.7
Accrued salaries, wages and benefits	212.0	229.4
Accrued interest payable	60.2	49.5
Due to customers for returnable containers	42.2	40.7
Accrued taxes, other than income taxes	65.4	60.1
Estimated income taxes	40.0	75.2
Other current liabilities	170.8	155.5
Total current liabilities	1,302.6	1,179.1
LONG-TERM DEBT	3,307.3	1,615.3
DEFERRED INCOME TAXES	1,315.9	1,212.5
COMMON STOCK AND OTHER SHAREHOLDERS EQUITY:		
Common stock, $1.00 par value, authorized 400.0 shares	333.9	331.0
Capital in excess of par value	507.2	428.5
Retained earnings	3,985.9	3,444.9
Foreign currency translation adjustment	9.7	10.9
	4,836.7	4,215.3
Treasury stock, at cost	(1,236.8)	(1,112.4)
ESOP shares	(500.0)	—
	3,099.9	3,102.9
COMMITMENTS AND CONTINGENCIES	—	—
	$9,025.7	$7,109.8

Consolidated Statement of Income

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

YEAR ENDED DECEMBER 31,	*1989*	*1988*	*1987*
Sales	**$10,283.6**	$9,705.1	$9,110.4
Less federal and state excise taxes	**802.3**	781.0	760.7
Net sales	**9,481.3**	8,924.1	8,349.7
Cost of products and services	**6,275.8**	5,825.5	5,374.3
Gross profit	**3,205.5**	3,098.6	2,975.4
Marketing, distribution and administrative expenses	**1,876.8**	1,834.5	1,826.8
Operating income	**1,328.7**	1,264.1	1,148.6
Other income and expenses:			
Interest expense	**(177.9)**	(141.6)	(127.5)
Interest capitalized	**51.5**	44.2	40.3
Interest income	**12.6**	9.8	12.8
Other income/(expense), net	**11.8**	(16.4)	(9.9)
Income before income taxes	**1,226.7**	1,160.1	1,064.3
Provision for income taxes:			
Current	**357.0**	397.2	368.4
Deferred	**102.5**	47.0	81.2
	459.5	444.2	449.6
NET INCOME	**$ 767.2**	$ 715.9	$ 614.7
EARNINGS PER SHARE	**$ 2.68**	$ 2.45	$ 2.04

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 49-59 of this report.

Consolidated Statement of Changes in Shareholders Equity

Anheuser-Busch Companies, Inc., and Subsidiaries

SHAREHOLDERS EQUITY *(In millions, except per share data)*

	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY STOCK	ESOP SHARES	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	CONVERTIBLE REDEEMABLE PREFERRED STOCK
BALANCE AT DECEMBER 31, 1986	$295.3	$ 6.1	$2,472.2	$ (460.8)	$ —	$ .9	$ 286.9
Net income			614.7				
Cash dividends:							
Common ($.54 per share)			(148.4)				
Preferred ($3.23 per share)			(20.1)				
Shares issued under stock plans and conversion of preferred stock	3.7	69.2					(2.7)
Redemption of preferred stock	27.9	257.1					(285.0)
Accretion of preferred stock			(.8)				.8
Treasury stock acquired				(234.7)			
Foreign currency translation adjustment						9.9	
BALANCE AT DECEMBER 31, 1987	326.9	332.4	2,917.6	(695.5)	—	10.8	—
Net income			715.9				
Common dividends ($.66 per share)			(188.6)				
Shares issued under stock plans	4.1	96.1					
Treasury stock acquired				(416.9)			
Foreign currency translation adjustment						.1	
BALANCE AT DECEMBER 31, 1988	331.0	428.5	3,444.9	(1,112.4)	—	10.9	—
Net income			**767.2**				
Common dividends ($.80 per share)			**(226.2)**				
Shares issued under stock plans	**2.9**	**78.7**					
Shares issued to ESOP				**500.0**	**(500.0)**		
Treasury stock acquired				**(624.4)**			
Foreign currency translation adjustment						**(1.2)**	
BALANCE AT DECEMBER 31, 1989	**$333.9**	**$507.2**	**$3,985.9**	**$(1,236.8)**	**$(500.0)**	**$ 9.7**	**$ —**

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 49-59 of this report.

Consolidated Statement of Cash Flows

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions)

YEAR ENDED DECEMBER 31,	*1989*	*1988*	*1987*
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$ 767.2	$ 715.9	$ 614.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	410.3	359.0	320.1
Increase in deferred income taxes	103.4	48.2	70.3
Decrease/(increase) in non-cash working capital	(90.6)	19.3	(9.4)
Other, net	(50.2)	(45.7)	15.4
Cash provided by operating activities	1,140.1	1,096.7	1,011.1
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,076.7)	(950.5)	(841.8)
Sale of businesses	—	137.2	—
Business acquisitions	(1,117.9)	(12.3)	(24.9)
Cash used for investing activities	(2,194.6)	(825.6)	(866.7)
CASH FLOW FROM FINANCING ACTIVITIES:			
Decrease in short-term debt	—	—	(33.8)
Increase in long-term debt	1,328.3	346.6	328.5
Decrease in long-term debt	(32.3)	(153.9)	(70.0)
Dividends paid to stockholders	(226.2)	(188.6)	(168.4)
Acquisition of treasury stock	(624.4)	(416.9)	(234.7)
Shares issued to ESOP	500.0	—	—
Shares issued under stock plans	81.6	100.2	70.2
Cash used for financing activities	1,027.0	(312.6)	(108.2)
Net increase/(decrease) in cash and marketable securities during the year	(27.5)	(41.5)	36.2
Cash and marketable securities at beginning of year	63.9	105.4	69.2
Cash and marketable securities at end of year	$ 36.4	$ 63.9	$ 105.4

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 49-59 of this report.

1–SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

This summary of significant accounting principles and policies of Anheuser-Busch Companies, Inc. and its subsidiaries is presented to assist the reader in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the company and all its subsidiaries. All significant intercompany transactions have been eliminated.

FOREIGN CURRENCY TRANSLATION

Exchange adjustments resulting from foreign currency transactions generally are recognized in income, whereas adjustments resulting from the translation of financial statements are reflected as a separate component of shareholders equity.

EXCESS OF COST OVER NET ASSETS OF ACQUIRED BUSINESSES

The excess of the cost over the net assets of acquired businesses is being amortized on a straight-line basis over a period of 40 years. Accumulated amortization at December 31, 1989 and 1988 was $20.9 million and $17.0 million, respectively.

INVENTORIES AND PRODUCTION COSTS

Inventories are valued at the lower of cost or market. Cost is determined under the last-in, first-out method for substantially all brewing inventories and under the first-in, first-out method for substantially all food product inventories.

PLANT AND EQUIPMENT

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the respective accounts and any profit or loss on disposition is reflected in income.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets (buildings 2% to 10% and machinery and equipment 4% to 25%).

CAPITALIZATION OF INTEREST

Interest relating to the cost of acquiring certain fixed assets is capitalized. This interest is included as part of the cost of the related asset and is amortized over its estimated useful life.

INCOME TAXES

The provision for income taxes is based on elements of income and expense as reported in the Consolidated Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable. Deferred income taxes are recognized for the effect of differences between financial and tax reporting.

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 96 (FAS 96), "Accounting for Income Taxes," which requires the use of an asset and liability approach in accounting for the effects of income taxes that result from activities during the current and preceding years. Adoption of the Statement (which was originally required by 1989) has been delayed to 1992. The FASB is currently considering requests to amend

FAS 96 to simplify the calculation of deferred taxes under the asset and liability approach. Adoption of the Statement can be made by either restating previously issued financial statements or by recording a one-time adjustment to earnings. Had the company adopted this Statement in 1989 in its present form, retained earnings would have increased and deferred income taxes would have decreased by approximately $160 million at December 31, 1989.

RESEARCH AND DEVELOPMENT, ADVERTISING, PROMOTIONAL COSTS AND INITIAL PLANT COSTS

Research and development, advertising, promotional costs and initial plant costs are expensed in the year in which these costs are incurred.

EARNINGS PER SHARE

Earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during the respective years (286.2 million in 1989, 292.2 million in 1988 and 301.5 million in 1987). As more fully described in Note 11, the company called for redemption all of the outstanding shares of its convertible redeemable preferred stock in 1987. The convertible redeemable preferred shares were common stock equivalents; accordingly, these shares were assumed to have been converted into common stock at the date of their issuance and had been included in weighted average shares outstanding for earnings per share computation purposes.

2-ACQUISITION

On December 1, 1989, Busch Entertainment Corporation (the company's entertainment subsidiary) purchased from Harcourt Brace Jovanovich, Inc. (HBJ) 100% of the stock of the companies of HBJ which owned four Sea World Parks, two other theme parks and certain land holdings. The purchase price was $975 million for the theme parks for a total of $1.1 billion including the land. The agreement also provides that Harcourt Brace Jovanovich, Inc. will receive a 50% participation (up to a maximum participation of $100 million) in the net sales proceeds received by the company over the next 10 years in excess of $100 million, plus carrying costs, from the sale of certain parcels of undeveloped land included in the purchase.

The acquisition has been accounted for using the purchase method of accounting. The acquired assets and liabilities have been recorded in the company's financial statements at their estimated fair values at the acquisition date. The excess cost of the acquisition over the estimated fair value of the net assets acquired is amortized on a straight-line basis over 40 years. The Consolidated Statement of Income includes the operations of the acquired theme parks from December 1, 1989 through December 31, 1989.

Following are pro forma combined results of operations for the years ended December 31, 1989 and 1988, assuming the acquisition had occurred on January 1, 1988. The results are not necessarily indicative of what would have occurred had the acquisition been consummated as of January 1, 1988, or of future operations of the combined companies. The results are based on purchase accounting adjustments and include additional interest expense as if funds borrowed in connection with the acquisition had been outstanding from the beginning of each year.

	Pro Forma (Unaudited) Year Ended December 31,	
	1989	*1988*
Net Sales	$9,835.5	$9,315.9
Net Income	$ 749.5	$ 686.3
Net Income Per Share	$ 2.62	$ 2.35

3–INVENTORY VALUATION

Approximately 67% and 73% of total inventories at December 31, 1989 and 1988, respectively, are stated on the last-in, first-out (LIFO) inventory valuation method. Had average-cost (which approximates replacement cost) been used with respect to such items at December 31, 1989 and 1988, total inventories would have been $124.2 million and $112.4 million higher, respectively.

4–CREDIT AGREEMENTS

In connection with the acquisition of Sea World, the company entered into a 60-day line of credit agreement with four domestic banks totaling $700 million set to expire December 31, 1989. In December, $440 million was borrowed under this agreement for a period of 15 days at a weighted average interest rate of 8.5%. The company has the right to extend the agreement for up to 30 days and has done so on $500 million of the line. The agreement provides that the company may select among varying loan arrangements with differing maturities and among a variety of interest rates. At December 31, 1989, the company had no outstanding borrowings under this agreement. Fees for this agreement amounted to $.1 million in 1989.

The company has in place domestic revolving credit agreements totaling $500 million. The agreements, which expire in 1993, provide that the company may select among various loan arrangements with differing maturities and among a variety of interest rates, including a negotiated rate. At December 31, 1989 and 1988, the company had no outstanding borrowings under these agreements. Fees under these agreements amounted to $.6 million in 1989, $.8 million in 1988 and $1.2 million in 1987.

In September 1989, the company entered into a four-year credit facility in Spain with 10 local banks totaling 9.5 billion pesetas (approximately $87 million). The agreement provides that the company can borrow at a predetermined spread over the Madrid Inter-Bank Offered Rate (MIBOR). The primary purpose of the facility is to provide interim financing of costs associated with the company's development of a theme park and resort complex in Spain. As of December 31, 1989, 1.5 billion pesetas (approximately $14 million) were outstanding under this facility.

5–LONG-TERM DEBT

Long-term debt at December 31 consisted of the following (in millions):

	1989	*1988*
Commercial paper	$ 484.0	$ —
Medium-term Notes Due 1990 to 1991 (interest from 7.5% to 8.5%)	5.0	60.0
14% Australian Dollar Notes Due February 4, 1990 (interest a function of the AA 30-day commercial paper index)	—	48.9
6% Dual Currency Swiss Franc Bonds Due 1991/1994	107.5	105.5
9-1/8% Notes Due 1992	100.0	100.0
11-1/8% Notes Due 1993	100.0	100.0
8-7/8% Notes Due September 1, 1994	100.0	100.0
8.0% Dual Currency Japanese Yen/U.S. Dollar Notes Due 1995	51.6	51.0
8% Notes Due October 1, 1996	100.0	100.0
8% Convertible Debentures Due 1996	241.7	—
8-3/4% Notes Due 1999	250.0	—
9% Debentures Due 2009	350.0	—
ESOP Debt Guarantee	500.0	—
Sinking Fund Debentures	759.8	783.7
Industrial Revenue Bonds	94.4	94.6
Other Long-term Debt	63.3	71.6
	$3,307.3	$1,615.3

The company's sinking fund debentures at December 31 are as follows (in millions):

	1989	*1988*
5.45% debentures maturing 1984 to 1991	$ 2.2	$ 5.4
6% debentures maturing 1984 to 1992	9.5	12.2
7.95% debentures maturing 1985 to 1999	61.3	70.8
9.20% debentures maturing 1986 to 2005	121.2	128.4
8.55% debentures maturing 1989 to 2008	91.2	99.9
8-5/8% debentures maturing 1997 to 2016	150.0	150.0
8-1/2% debentures maturing 1998 to 2017	150.0	150.0
10% debentures maturing 1999 to 2018	200.0	200.0
Less: debentures held in treasury	(25.6)	(33.0)
	$759.8	$783.7

During 1989, the company filed a shelf registration statement with the Securities and Exchange Commission (SEC) increasing to $1 billion the amount of debt securities available to be issued from time to time. As of December 31, 1989, $400 million of this debt remained available for issuance.

In addition, in 1989 the company registered with the SEC $300 million of seven-year convertible debentures as part of its Wholesaler Investment Program. The debentures may be held by a qualified, independently-owned wholesaler (and certain related parties) and may be converted into a 5% convertible preferred stock, par value $1.00, at a conversion price of $47.60 per share. Each share of the convertible preferred stock may be converted into one share of the company's common stock. The convertible debentures and convertible preferred stock are subject to mandatory redemption at the end of seven years, optional redemption/repurchase at the company's or holder's discretion after three years, and special redemption/repurchase based upon the occurrence of certain redemption events with respect to particular holders.

At December 31, 1989 there was $484 million of commercial paper borrowings outstanding. The commercial paper is expected to be maintained on a long-term basis with ongoing credit provided by the company's $500 million revolving credit agreements.

Certain foreign currency denominated debt of the company was issued at a premium or discount from the redemption value or subsequently converted into a U.S. dollar liability resulting in effective interest rates different than the stated rates. For the dual currency Swiss Franc and Japanese Yen issues, these agreements result in an effective U.S. dollar rate of 8% and 10%, respectively, as compared to stated rates of 6% and 8%, respectively. The company has fully hedged its foreign currency exposure for interest and principal payments related to all foreign currency denominated debt issues through agreements with various lending institutions.

The aggregate maturities on all long-term debt are $21.6, $138.0, $133.7, $126.7 and $121.2 million, respectively, for each of the years ending December 31, 1990 through 1994. These aggregate maturities do not include the future maturities of the ESOP debt guarantee.

6–STOCK OPTION PLANS

The company has an Incentive Stock Option/Non-Qualified Stock Option Plan and a Non-Qualified Stock Option Plan for certain officers and key employees. Under the terms of the Plans, options may be granted at not less than the fair market value of the shares at the date of grant. The Non-Qualified Stock Option Plan provides that optionees may be granted Stock Appreciation Rights (SARs) in tandem with stock options. The exercise of a SAR cancels the related option and the exercise of an option cancels the related SAR. At December 31, 1989 and 1988, a total of 15,805,603 and 18,808,881 shares, respectively, were reserved for possible future issuance under the Plans.

In 1989, the Board of Directors adopted an Incentive Stock Plan which is subject to shareholder approval in April 1990. The Plan provides for the grant of options, SARs, Limited Rights, Restricted

Stock and Other Stock Interests. Under the terms of the Plan, options may be granted at not less than the fair market value of the shares at the date of grant. A total of 12,000,000 shares were reserved for possible issuance under the Plan.

Presented below is a summary of activity for the Plans for the year ended December 31:

	1989	*1988*
Options outstanding at beginning of the year	12,417,096	12,886,058
Options granted during the year	8,200,783	3,453,791
Options exercised during the year	(3,449,197)	(3,690,532)
Options cancelled during the year	(155,800)	(232,221)
Options outstanding at end of the year	17,012,882	12,417,096
Options exercisable at end of the year	6,976,631	8,103,597
Option price range per share	\$6.80-\$42.38	\$6.80-\$37.69

The Plans provide for acceleration of exercisability of the options upon the occurrence of certain events relating to a change of control, merger, sale of assets or liquidation of the company (Acceleration Events). The Non-Qualified Plan and the Incentive Stock Plan also provide that optionees may be granted Limited Stock Appreciation Rights (LSARs). LSARs become exercisable, in lieu of the option or SAR, upon the occurrence, six months following the date of grant, of an Acceleration Event and entitle the holder to a cash payment per share equivalent to the excess of the share value (under terms of the LSAR) over the grant price. As of December 31, 1989 and 1988, there were 3,530,158 and 1,835,919, respectively, of LSARs outstanding.

7–EMPLOYEE STOCK OWNERSHIP PLAN

In 1989, the company established an Employee Stock Ownership Plan (ESOP) feature for its existing Deferred Income Stock Purchase and Savings Plans. Approximately 50% of all salaried and hourly employees are eligible for participation in the ESOP. Under the ESOP feature, the plans borrowed \$500 million for a term of 15 years at an interest rate of 8.3% and used the proceeds to buy approximately 11.3 million shares of common stock from the company. The ESOP debt is guaranteed by the company and the related shares will be allocated to participants over 15 years as contributions are made to the plan.

The company recognizes ESOP expense each year based on cash contributions committed to be made to the plans, which is substantially equivalent to the Shares Outstanding Method. Company cash contributions are determined based upon the ESOP's total debt service less certain employee contributions and dividends on ESOP shares not yet allocated to participants. During 1989 the company recognized \$16.1 million in ESOP related expense which was allocated to interest expense (\$11.1 million) and compensation expense (\$5.0 million) based upon the ratio of interest and principal payments on the ESOP debt. During 1989 the company contributed \$8.7 million in cash to the ESOP. Dividends on ESOP shares used for debt service approximated \$4.9 million in 1989.

8–RETIREMENT BENEFITS

The company has pension plans covering substantially all of its employees. Total pension expense for each of the three years ended December 31 is presented below (in millions):

	1989	*1988*	*1987*
Single-employer Defined Benefit Plans	\$ (8.1)	\$ (8.1)	\$ (15.6)
Multi-employer Plans	43.4	40.4	39.7
Defined Contribution Plans	8.4	8.1	7.5
	\$ 43.7	\$ 40.4	\$ 31.6

Net pension benefit for single-employer defined benefit plans was comprised of the following for the year ended December 31 (in millions):

	1989	*1988*	*1987*
Service cost (benefits earned during the period)	$ 28.4	$ 27.5	$ 21.6
Interest cost on projected benefit obligation	44.3	41.5	36.7
Return on assets:			
Actual return	(149.9)	(69.4)	(35.4)
Deferred actuarial gain/(loss)	83.4	6.8	(23.1)
Assumed return	(66.5)	(62.6)	(58.5)
Amortization of prior service cost, actuarial gains/losses and the excess of market value of plan assets over projected benefit obligation at January 1, 1986	(14.3)	(14.5)	(15.4)
Net pension benefit	$ (8.1)	$ (8.1)	$ (15.6)

The assumed discount rate, the weighted-average rate of compensation increase used to measure the projected benefit obligation, and the expected long-term rate of return on plan assets were 9.0%, 6.5% and 9.0%, respectively.

The following table sets forth the funded status of all company single-employer defined benefit plans (underfunded plans are not material) at December 31 (in millions):

	1989	*1988*
Plan assets at fair market value—primarily corporate equity securities and publicly traded bonds	$902.7	$765.1
Accumulated benefit obligation:		
Vested benefits	(382.3)	(378.0)
Nonvested benefits	(33.7)	(47.4)
Accumulated benefit obligation	(416.0)	(425.4)
Effect of projected compensation increases	(86.6)	(87.7)
Projected benefit obligation	(502.6)	(513.1)
Plan assets in excess of projected benefit obligation	$400.1	$252.0

	1989	*1988*
Plan assets in excess of projected benefit obligation consist of the following components:		
Unamortized excess of market value of plan assets over projected benefit obligation at January 1, 1986 being amortized over 15 years	$172.8	$188.1
Unrecognized net actuarial gains	147.4	8.8
Prior service costs	(19.1)	(18.0)
Prepaid pension	99.0	73.1
	$400.1	$252.0

The assumptions used in determining the funded status of these plans as of December 31, 1989 and 1988 were a weighted-average rate of compensation increase of 6.5% and a discount rate of 10.0% for 1989 and 9.0% for 1988.

Contributions to multi-employer plans in which the company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts and are based on employee-hours worked.

In addition to providing pension benefits, the company provides health care and life insurance benefits to certain retired employees who attain specified age and years of service requirements. The cost of such benefits is recognized as an expense as claims are paid and was not material for any of the years presented.

In February 1989, the Financial Accounting Standards Board issued an exposure draft—"Employers' Accounting for Postretirement Benefits Other Than Pensions." The proposed standard would require the recognition of Postretirement Benefits expense on an accrual basis and the recognition of a minimum liability for the amount of the unfunded accumulated postretirement benefit obligation. Management is currently evaluating the potential impact of the exposure draft and the method and timing of its adoption.

9–INCOME TAXES

The provision for income taxes includes the following for each of the three years ended December 31 (in millions):

	1989	*1988*	*1987*
Current Tax Provision			
Federal:			
Provision	$293.7	$330.5	$341.7
Investment tax credit	—	—	(14.0)
	293.7	330.5	327.7
State and foreign	63.3	66.7	40.7
	357.0	397.2	368.4
Deferred Tax Provision:			
Federal	94.1	45.4	76.3
State and foreign	8.4	1.6	4.9
	102.5	47.0	81.2
	$459.5	$444.2	$449.6

The deferred tax provision results from timing differences in the recognition of income and expense for tax and financial reporting purposes. The primary difference is the calculation of depreciation for tax purposes using accelerated methods and shorter lives (tax effect of $86.3 million in 1989, $70.1 million in 1988 and $79.5 million in 1987).

The company's effective tax rate was 37.5% in 1989, 38.3% in 1988 and 42.2% in 1987. A reconciliation between the statutory rate and the effective rate is presented below:

	1989	*1988*	*1987*
Statutory rate	34.0%	34.0%	40.0%
Investment tax credit	—	—	(1.3)
State income taxes, net of federal benefit	3.4	3.4	2.2
Other	.1	.9	1.3
Effective tax rate	37.5%	38.3%	42.2%

10–CASH FLOWS

For purposes of the Statement of Cash Flows, all short-term investments with maturities of 90 days or less are considered cash equivalents. Such amounts include marketable securities of $16.3 million in 1989 and $50.1 million in 1988. The effect of foreign currency exchange rate fluctuations was not material for any of the years ended December 31, 1989, 1988 and 1987.

Supplemental information with respect to the Statement of Cash Flows is presented below:

	1989	*1988*	*1987*
Interest paid, net of capitalized interest	$115.7	$ 87.6	$ 78.7
Income taxes paid	374.8	369.8	380.7
Excise taxes paid	802.3	781.0	760.7
CHANGES IN NON-CASH WORKING CAPITAL			
Decrease/(increase) in non-cash current assets:			
Accounts receivable	$ (64.7)	$ (67.4)	$ (16.1)
Inventories	(19.5)	(53.8)	(22.7)
Other current assets	(25.9)	30.0	(33.6)
Increase/(decrease) in current liabilities:			
Accounts payable	39.3	27.7	48.8
Accrued salaries, wages and benefits	(17.4)	32.0	17.2
Accrued interest payable	10.7	9.8	8.5
Due to customers for returnable containers	1.5	2.3	4.4
Accrued taxes, other than income taxes	5.3	(2.6)	(2.3)
Estimated income taxes	(35.2)	18.0	(21.5)
Other current liabilities	15.3	23.3	7.9
Decrease/(increase) in non-cash working capital	$ (90.6)	$ 19.3	$ (9.4)

11–CONVERTIBLE REDEEMABLE PREFERRED STOCK

On November 2, 1987, substantially all of the outstanding shares of the company's Series A Convertible Redeemable Preferred Stock were converted to common stock, on exercise of holders' rights of conversion. Pursuant to the terms of the preferred stock, the company had called the preferred stock for redemption on that date. A total of 27,874,556 shares of common stock were issued in the conversion.

12–PREFERRED AND COMMON STOCK

STOCK ACTIVITY

Activity in the company's various stock categories for each of the three years ended December 31 is summarized below:

	COMMON STOCK ISSUED	*COMMON STOCK IN TREASURY*	*CONVERTIBLE REDEEMABLE PREFERRED STOCK*
BALANCE, DECEMBER 31, 1986	295,264,924	(26,399,740)	7,448,707
Shares issued under stock plans and conversion of preferred stock	3,737,400		(232,665)
Redemption of preferred stock	27,874,556		(7,216,042)
Treasury stock acquired		(7,477,866)	
BALANCE, DECEMBER 31, 1987	326,876,880	(33,877,606)	—
Shares issued under stock plans	4,078,794		
Treasury stock acquired		(13,671,800)	
BALANCE, DECEMBER 31, 1988	330,955,674	(47,549,406)	—
Shares issued under stock plans	2,986,140		
Treasury stock acquired		(14,736,400)	
Shares issued to ESOP		11,331,446	
BALANCE, DECEMBER 31, 1989	333,941,814	(50,954,360)	—

In late 1989, the company, on behalf of several Busch family members and various Busch family trust funds, completed a secondary offering of 7.8 million shares of common stock at a price of $36-5/8 per share. The shares became available as a result of the death of August A. Busch, Jr. and were sold through a secondary offering sponsored by the company in order to effect an orderly distribution into the marketplace. The company did not receive any of the proceeds from the sale of these shares.

At December 31, 1989 and 1988, 40,000,000 shares of $1.00 par value preferred stock were authorized and unissued.

STOCK REPURCHASE PROGRAMS

The Board of Directors has approved various resolutions in recent years authorizing the company to purchase shares of its common stock for investment purposes and to meet the requirements of the company's various stock purchase and incentive plans. The company has acquired 2,236,400, 13,671,800 and 7,477,866 shares of common stock in 1989, 1988 and 1987 for $74.4, $416.9 and $234.7 million, respectively. At December 31, 1989, approximately 10 million shares were available for repurchase under existing Board of Director authorizations.

In addition to the resolutions referred to above, in 1989 the Board of Directors authorized the company to purchase 12.5 million shares of company stock through a "Dutch Auction" self-tender. The cost of the shares purchased via the tender was $44 a share for a total of $550 million. These purchases were primarily made to offset the earnings per share dilution which would have otherwise resulted from the issuance of shares to the ESOP by the company.

STOCKHOLDER RIGHTS PLAN

In 1985, the Board of Directors adopted a Stockholder Rights Plan pursuant to which the Board declared a dividend of one preferred stock purchase right on each outstanding share of common stock of the company. The rights have subsequently been amended in certain respects, and the description below reflects the terms of the rights as amended. After the rights become exercisable and until such time as the rights expire or are redeemed, they will entitle the holder to purchase one one-hundredth of a share of a new Series B Junior Participating Preferred Stock, par value $1.00 per share (4,000,000 shares were reserved for issuance at December 31, 1989 and 1988), at a purchase price of $50 per one one-hundredth of a share. The rights will become exercisable on the earlier to occur of (i) the tenth day following a public announcement that a person or group (an "Acquiring Person") has acquired 20% or more of the common stock of the company or (ii) the tenth business day following the commencement of a tender offer or exchange offer by a third party which, upon consummation, would result in such party's control of 30% or more of the common stock of the company.

If, at any time after the rights have become non-redeemable, the company is the surviving corporation in a merger with an Acquiring Person and its common stock is not changed or exchanged, or an Acquiring Person becomes the beneficial owner of more than 30% of the then outstanding shares of common stock, each right will entitle the holder, other than the Acquiring Person, to purchase that number of shares of common stock of the company which has a market value of twice the exercise price of the right.

If, at any time after the rights have become non-redeemable, the company is acquired in a merger or other business combination transaction or 50% or more of its assets or earning power is sold, each right will entitle its holder to purchase that number of shares of common stock of the acquiring company which has a market value of twice the exercise price of the right.

The rights, which do not have voting rights, expire on December 18, 1995, and may be redeemed by the company at a price of 2-1/2 cents per right at any time prior to expiration or the date on which the company's Board of Directors permits the rights to become non-redeemable (subject to reinstatement in certain circumstances).

13–COMMITMENTS AND CONTINGENCIES

In connection with plant expansion and improvement programs, the company has commitments for capital expenditures of approximately $266.6 million at December 31, 1989.

Obligations under capital and operating leases are not material.

The company and certain of its subsidiaries are involved in certain claims and legal proceedings in which monetary damages and other relief are sought. The company is vigorously contesting these claims. However, resolution of these claims is not expected to occur quickly and their ultimate outcome cannot presently be predicted. In any event, it is the opinion of management that any liability of the company or its subsidiaries for claims or proceedings will not materially affect its financial position.

14–BUSINESS SEGMENTS

During 1989 and as a result of the acquisition of Sea World, the company redefined its principal business segments as compared to prior years. For 1989, the company's principal business segments are beer and beer-related, food products and entertainment. The beer and beer-related segment produces and sells the company's beer products. Included in this segment are the company's raw material acquisition, malting, can manufacturing, recycling, communications and transportation operations.

The food products segment consists of the company's food and food-related operations which include the company's baking and snack food subsidiaries, certain rice operations and its yeast operations through June 3, 1988.

The entertainment segment consists of the company's theme parks, baseball, stadium and real estate development operations.

For 1988 and 1987, the company's principal business segments were beer and beer-related, food products and diversified operations. The diversified operations segment consisted of the company's entertainment, real estate, communications and transportation operations. For 1989, the communications and transportation operations are included in the beer and beer-related segment.

Sales between segments, export sales and non-United States sales are not material. The company's equity in earnings of affiliated companies has been included in other income and expense. No single customer accounted for more than 10% of sales.

Summarized below is the company's business segment information for 1989, 1988 and 1987 (in millions). Intra-segment sales have been eliminated from each segment's reported net sales.

	NET SALES			OPERATING INCOME*			IDENTIFIABLE ASSETS		
	1989	1988	1987	1989	1988	1987	1989	1988	1987
Beer and Beer-Related	$7,405.7	$6,902.0	$6,375.8	$1,244.7	$1,168.2	$1,090.2	$5,902.9	$5,102.4	$4,580.5
Food Products	1,803.0	1,680.9	1,627.2	56.9	55.0	54.4	1,295.6	1,229.7	1,230.1
Entertainment	286.3	—	—	27.1	—	—	1,483.4	—	—
Diversified Operations	—	361.8	366.1	—	40.9	4.0**	—	340.9	325.0
Corporate***	—	—	—	—	—	—	343.8	436.8	412.3
Eliminations	(13.7)	(20.6)	(19.4)	—	—	—	—	—	—
Consolidated	$9,481.3	$8,924.1	$8,349.7	$1,328.7	$1,264.1	$1,148.6	$9,025.7	$7,109.8	$6,547.9

	DEPRECIATION AND AMORTIZATION EXPENSE****			CAPITAL EXPENDITURES		
	1989	1988	1987	1989	1988	1987
Beer and Beer-Related	$ 298.7	$252.9	$215.4	$ 846.6	$785.4	$630.4
Food Products	87.2	70.7	70.4	120.2	100.9	149.1
Entertainment	24.4	—	—	109.9	—	—
Diversified Operations	—	35.4	34.3	—	64.2	62.3
Consolidated	$ 410.3	$359.0	$320.1	$1,076.7	$950.5	$841.8

**Operating income excludes other expense, net, which is not allocated among segments. For 1989, 1988 and 1987 other expense, net of $102.0, $104.0 and $84.3 million, respectively, includes net interest expense, other income and expense, and equity in earnings of affiliated companies.*

***Includes the disposition of Exploration Cruise Lines.*

****Corporate assets principally include cash, marketable securities, investment in affiliated companies and certain fixed assets.*

*****Consolidated depreciation and amortization expenses include $13.0, $12.4 and $11.8 million of depreciation expense related to corporate assets for 1989, 1988 and 1987, respectively.*

15–ADDITIONAL INFORMATION

Additional income statement information (in millions):

	1989	1988	1987
Maintenance	$342.2	$327.2	$316.5
Advertising costs	$602.1	$625.0	$605.1

Summarized below is selected financial information for Anheuser-Busch, Incorporated (a wholly-owned subsidiary of Anheuser-Busch Companies, Inc.) as of and for the year ended December 31 (in millions):

	1989	1988	1987
Income Statement Information:			
Net sales	$6,794.8	$6,436.0	$6,117.5
Gross profit	2,325.7	2,260.9	2,165.3
Net income (1)	685.8	628.5	574.4
Balance Sheet Information:			
Current assets	569.7	593.3	
Non-current assets	8,528.2	6,458.7	
Current liabilities	745.3	617.1	
Non-current liabilities (1)	3,848.8	2,616.9	

(1) Anheuser-Busch, Incorporated is co-obligor for all outstanding Anheuser-Busch Companies, Inc. indebtedness (excluding the ESOP debt guarantee). Accordingly, all such debt is included as an element of non-current liabilities and the interest thereon is included in the determination of net income.

16–QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1989 and 1988 (in millions, except per share data) appears below:

	NET SALES		GROSS PROFIT		NET INCOME		EARNINGS PER SHARE	
	1989	1988	1989	1988	1989	1988	1989	1988
First quarter	$2,205.1	$2,073.7	$ 733.4	$ 726.1	$167.1	$152.4	$ .58	$ .51
Second quarter	2,479.8	2,322.2	863.6	822.5	233.7	211.5	.82	.72
Third quarter	2,486.5	2,340.4	880.2	835.5	238.3	226.5	.83	.78
Fourth quarter	2,309.9	2,187.8	728.3	714.5	128.1	125.5	.45	.44
Total year	$9,481.3	$8,924.1	$3,205.5	$3,098.6	$767.2	$715.9	$ 2.68	$ 2.45

Financial Summary–Operations

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

	1989	1988	1987
CONSOLIDATED SUMMARY OF OPERATIONS			
Barrels sold	80.7	78.5	76.1
Sales	$10,283.6	$9,705.1	$9,110.4
Federal and state excise taxes	802.3	781.0	760.7
Net sales	9,481.3	8,924.1	8,349.7
Cost of products and services	6,275.8	5,825.5	5,374.3
Gross profit	3,205.5	3,098.6	2,975.4
Marketing, distribution and administrative expenses	1,876.8	1,834.5	1,826.8
Operating income	1,328.7	1,264.1	1,148.6
Interest expense	(177.9)	(141.6)	(127.5)
Interest capitalized (1)	51.5	44.2	40.3
Interest income	12.6	9.8	12.8
Other income/(expense), net	11.8	(16.4)	(9.9)
Gain on sale of Lafayette plant	—	—	—
Income before income taxes	1,226.7	1,160.1	1,064.3
Income taxes	459.5	444.2	449.6
Income before cumulative effect of an accounting change	767.2	715.9	614.7
Cumulative effect of change in accounting method (3)	—	—	—
Net income	767.2	715.9	614.7
Per share—Primary			
Income before cumulative effect of an accounting change	2.68	2.45	2.04
Cumulative effect of change in accounting method (3)	—	—	—
Net income	2.68	2.45	2.04
Per share—Fully diluted	2.68	2.45	2.04
Cash dividends paid			
Common stock	226.2	188.6	148.4
Per share	.80	.66	.54
Preferred stock	—	—	20.1
Per share	—	—	3.23
Average number of common shares	286.2	292.2	301.5

NOTES TO FINANCIAL SUMMARY—OPERATIONS

Note: All per share information and average number of common shares data reflect the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Campbell Taggart, Inc. as of November 2, 1982 and the acquisition of Sea World as of December 1, 1989. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.

(1) Includes the capitalization of interest effective January 1, 1980 that relates to the capital cost of acquiring certain fixed assets.

(2) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), Employers' Accounting For Pensions. The financial effect of FAS 87 adoption was to increase 1986 pretax income $45 million, net income $23 million and earnings per share $.08.

1986	1985	1984	1983	1982	1981	1980	1979
72.3	68.0	64.0	60.5	59.1	54.5	50.2	46.2
$8,478.8	$7,756.7	$7,218.8	$6,714.7	$5,251.2	$4,435.9	$3,822.4	$3,263.7
724.5	683.0	657.0	624.3	609.1	562.4	527.0	487.8
7,754.3	7,073.7	6,561.8	6,090.4	4,642.1	3,873.5	3,295.4	2,775.9
5,026.5	4,729.8	4,464.6	4,161.0	3,384.3	3,001.9	2,553.9	2,172.1
2,727.8	2,343.9	2,097.2	1,929.4	1,257.8	871.6	741.5	603.8
1,709.8	1,498.2	1,338.5	1,226.4	758.8	518.6	428.6	356.7
1,018.0	845.7	758.7	703.0	499.0	353.0	312.9	247.1
(99.9)	(96.5)	(106.0)	(115.4)	(93.2)	(90.7)	(75.6)	(40.3)
33.2	37.2	46.8	32.9	41.2	64.1	41.7	—
9.6	21.3	22.8	12.5	17.0	6.2	2.4	8.4
(13.6)	(23.3)	(29.6)	(14.8)	(5.8)	(7.3)	(9.9)	5.4
—	—	—	—	20.4	—	—	—
947.3(2)	784.4	692.7	618.2	478.6	325.3	271.5	220.6
429.3	340.7	301.2	270.2	191.3	107.9	99.7	76.3
518.0	443.7	391.5	348.0	287.3	217.4	171.8	144.3
—	—	—	—	—	—	—	52.1
518.0(2)	443.7	391.5	348.0	287.3(4)	217.4	171.8	196.4
1.69(2)	1.42	1.23	1.08	1.00	.80	.64	.54
—	—	—	—	—	—	—	.19
1.69(2)	1.42	1.23	1.08	1.00(4)	.80	.64	.73
1.69(2)	1.42	1.23	1.08	.98(4)	.77	.64	.73
120.2	102.7	89.7	78.3	65.8	51.2	44.8	40.7
.44	.36⅔	.31⅓	.27	.23	.18⅘	.16½	.15
26.9	27.0	27.0	29.7	—	—	—	—
3.60	3.60	3.60	3.60	—	—	—	—
306.6	312.6	317.4	321.0	288.6	272.4	271.2	271.2

(3) Effective January 1, 1979, the company adopted the flow-through method of accounting for investment tax credits. In prior years, the company followed the practice of adding investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets were placed in service. Accordingly, such benefits deferred in prior years are being added to income in the current year.

(4) Net income and net income per share include a nonrecurring gain on the sale of the corn refining plant in Lafayette, Indiana. This nonrecurring gain increased net income $13.3 million, primary earnings per share $.05 and fully diluted earnings per share $.04.

Financial Summary–Balance Sheet and Other Information

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share and statistical data)

	1989	*1988*	*1987*
BALANCE SHEET INFORMATION			
Working capital	**$ (25.7)**	$ 15.2	$ 75.8
Current ratio	**1.0**	1.0	1.1
Plant and equipment, net	**6,671.3**	5,467.7	4,994.8
Long-term debt	**3,307.3**	1,615.3	1,422.6
Total debt to total debt plus equity	**52.4%**	34.2%	33.0%
Deferred income taxes	**1,315.9**	1,212.5	1,164.3
Convertible redeemable preferred stock	**—**	—	—
Shareholders equity	**3,099.9**	3,102.9	2,892.2
Return on shareholders equity	**24.7%**	23.9%	22.4%
Book value per share	**10.95**	10.95	9.87
Total assets	**9,025.7**	7,109.8	6,547.9
OTHER INFORMATION			
Capital expenditures	**1,076.7**	950.5	841.8
Depreciation and amortization	**410.3**	359.0	320.1
Total payroll cost	**1,954.2**	1,818.2	1,790.5
Effective tax rate	**37.5**	38.3%	42.2%
Price/earnings ratio	**14.4**	12.9	16.4
Percent of pretax profit on gross sales	**11.9%**	12.0%	11.7%
Market price range of common stock (high/low)	**45⅞-30⅝**	34⅛-29⅛	39¾-26⅜

NOTES TO FINANCIAL SUMMARY—BALANCE SHEET AND OTHER INFORMATION

Note: All per share information reflects the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Campbell Taggart, Inc. as of November 2, 1982 and the acquisition of Sea World as of December 1, 1989. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.

(1) This percentage has been calculated by including convertible redeemable preferred stock as part of equity because it was convertible into common stock and was trading primarily on its equity characteristics.

(2) This percentage has been adjusted to reflect the change in the method of accounting for the investment tax credit in 1979, but excludes the cumulative effect.

1986	1985	1984	1983	1982	1981	1980	1979
$ (3.7)	$ 116.0	$ 71.5	$ 173.1	$ 60.2	$ 41.0	$ 26.3	$ 88.1
1.0	1.1	1.1	1.2	1.1	1.1	1.1	1.3
4,494.9	3,960.8	3,579.5	3,269.8	3,057.3	2,324.5	1,947.4	1,461.8
1,164.0	904.7	879.5	1,003.1	1,029.9	862.2	743.8	507.9
31.6% (1)	26.9% (1)	28.2% (1)	32.8% (1)	36.8% (1)	42.5%	43.4%	36.0%
1,094.0	964.7	757.9	574.3	455.2	357.7	261.6	193.8
286.9	287.6	286.9	286.0	285.0	—	—	—
2,313.7	2,173.0	1,951.0	1,766.5	1,526.6	1,206.8	1,031.4	904.3
20.5% (1)	18.9% (1)	18.2% (1)	18.0% (1)	19.9% (1)	19.3%	17.8%	16.9% (2)
8.61	7.84	6.91	6.09	5.27	4.43	3.81	3.33
5,898.1	5,192.9	4,592.5	4,386.8	3,965.2	2,938.1	2,449.7	1,926.0
796.2	611.3	532.3	441.3	380.9	441.5	590.0	432.3
281.2	240.0	207.9	191.3	136.9	111.0	99.4	75.4
1,640.9	1,559.1	1,438.6	1,361.7	864.0	695.5	594.1	529.1
45.3%	43.4%	43.5%	43.7%	40.0%	33.2%	36.7%	34.6%
15.5	14.9	9.8	9.6	11.0	8.9	7.3	7.1
11.2	10.1%	9.6%	9.2%	9.1%	7.3%	7.1%	6.8%
28⅝-20	22⅞-11⅞	12⅜-8⅞	12⅞-9¾	11⅞-6½	7⅜-4½	5¼-3½	4½-3¼

THE CORPORATION	Anheuser-Busch Companies, Inc. is a diversified corporation whose subsidiaries include the world's largest brewing organization, the country's second-largest producer of fresh baked goods and the country's second-largest theme park operator. Other subsidiaries operate in the fields of container manufacturing and recycling, malt and rice production, international beer marketing, non-beer beverages, snack foods, family entertainment, real estate development, major league baseball, stadium ownership, creative services, railcar repair and transportation services.
TRADEMARKS	Trademarks of the corporation and its subsidiaries include: Anheuser-Busch, the A & Eagle Design, Budweiser, Bud, Bud Light, King of Beers, Michelob, Michelob Dry, Michelob Light, Michelob Classic Dark, Mich, Busch, Natural Light, LA, King Cobra, Busch Gardens, The Dark Continent, The Old Country, Adventure Island, Kingsmill, Cardinals, Eagle (for snacks), Rainbo, Colonial, Earth Grains, El Charrito, Sea World and Shamu.
ANNUAL MEETING	The annual meeting of shareholders will be held on Wednesday, April 25, 1990, in St. Louis, Mo. A formal notice of the meeting together with a proxy statement will be mailed to shareholders in mid-March 1990.
ADDITIONAL INFORMATION	**A copy of the company's annual report to the Securities and Exchange Commission (Form 10-K) is available to shareholders without charge upon written request to JoBeth G. Brown, Corporate Secretary, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118.** Copies of the corporation's "Fact Book," which contains general information about the company, may be obtained by writing to Corporate Communications Department, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118.
COMMON STOCK	Anheuser-Busch Companies, Inc. common stock is listed and traded on the New York Stock Exchange and the London, Frankfurt, Paris, Zurich, Geneva, Basle and Tokyo Stock Exchanges. It is also traded on the Boston, Midwest, Cincinnati, Pacific and Philadelphia Stock Exchanges and the over-the-counter market. Options in the company's common stock are traded on the Philadelphia Stock Exchange. The stock is quoted as "Anheus" or "AnheuserB" in stock table listings in daily newspapers in the U.S.; the abbreviated ticker symbol is "BUD."
DIVIDENDS	Dividends on common stock are normally paid in the months of March, June, September and December.
DIVIDEND REINVESTMENT	The company's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Anheuser-Busch Companies, Inc. common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating shareholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and shareholders may join or withdraw at any time.

Full details concerning the plan are available by writing to First Chicago Trust Company of N.Y., Dividend Reinvestment Plan, P.O. Box 3506, Church Street Station, New York, N.Y. 10008-3506. Be certain to include a reference to Anheuser-Busch Companies, Inc. Plan information can also be obtained by writing to Investor Relations, Anheuser-Busch Companies, Inc., Bldg. 202-5, One Busch Place, St. Louis, Mo. 63118.

TRANSFER AGENT AND REGISTRAR–COMMON STOCK

Boatmen's Trust Company
510 Locust Street
St. Louis, Mo. 63101
(314) 231-9300

DIVIDEND DISBURSING AGENT

Boatmen's Trust Company
510 Locust Street
St. Louis, Mo. 63101
(314) 231-9300

TRUSTEES–DEBENTURES/NOTES

5.45%, 6%, 8-5/8% and 8-1/2% debentures, 8% notes and 14% Australian dollar notes:
Chemical Bank
20 Pine Street
New York, N.Y. 10015

7.95%, 8.55%, 9.00%, 9.20% and 10% debentures, 8% convertible debentures, 8.75% and 8-7/8% notes, and medium term notes:
Manufacturers Hanover Trust Company
600 Fifth Avenue
New York, N.Y. 10020

FISCAL AGENTS–NOTES/BONDS

9-1/8% and 11-1/8% notes:
Manufacturers Hanover Trust Company
600 Fifth Avenue
New York, N.Y. 10020

8% dual-currency Japanese yen/U.S. dollar notes:
The Industrial Bank of Japan, Limited
3-3 Marunouchi 1-Chome
Chiyoda-ku
Tokyo 100, Japan

INDEPENDENT ACCOUNTANTS

Price Waterhouse
One Boatmen's Plaza
St. Louis, Mo. 63101

CORPORATE OFFICE

One Busch Place
St. Louis, Mo. 63118
(314) 577-2000

Officers

Anheuser-Busch Companies, Inc.

POLICY COMMITTEE

August A. Busch III*
Chairman of the Board and President

Jerry E. Ritter*
Vice President and Group Executive

Barry H. Beracha
Vice President and Group Executive

Patrick T. Stokes
Vice President and Group Executive

John H. Purnell
Senior Vice President–Corporate Planning and Development

W. Randolph Baker
Vice President and Group Executive

Stephen K. Lambright
Vice President and Group Executive

Stuart F. Meyer
Vice President–Corporate Human Resources

Raymond E. Goff
Vice President and Group Executive

Michael J. Roarty
Vice President

Jaime Iglesias
President & Managing Director of Anheuser-Busch Europe, Inc.

Aloys H. Litteken
Vice President–Engineering

**Member of the Corporate Office*

OTHER OFFICERS

Thomas A. Aldrich
Vice President and Corporate Representative

Wayman F. Smith III
Vice President–Corporate Affairs

Thomas R. Billen
Vice President–Corporate Financial Planning

Walter A. Suhre, Jr.
Vice President and General Counsel

Osmond Conrad
Vice President and Controller

Luke L. Meatte
Senior Vice President–Wholesaler/Industry Affairs

Donald W. Kloth
Vice President–Materials Acquisition

Jesse Aguirre
Vice President–Corporate Relations

Lee J. Waltemade
Vice President–Corporate Labor Relations

Gerald C. Thayer
Vice President and Treasurer

Kenn A. Reynolds
Vice President—Corporate Research and Development

Richard F. Keating
Vice President–National Affairs

Ray Payne
Vice President–Management Systems

JoBeth G. Brown
Secretary

Albert R. Wunderlich
Tax Controller

Knut C. Heise
Assistant Secretary

Laura H. Reeves
Assistant Secretary

Richard A. Schwartz
Assistant Secretary

Richard N. Hill
Assistant Treasurer

William J. Kimmins
Assistant Treasurer

Bruce M. Sandison
Assistant Treasurer

Ronald S. Burkhardt
Assistant Controller

Principal Officers of Anheuser-Busch Companies Subsidiaries

ANHEUSER-BUSCH, INC.

August A. Busch III
Chairman of the Board, Chief Executive Officer and President

Michael J. Roarty
Executive Vice President–Marketing

Andrew J. Steinhubl
Senior Vice President–International Brewing and New Product Development

Charles W. Wirtel
Vice President–Planning and Development

Joseph P. Lynch
Vice President–Quality Assurance

Gerhardt A. Kraemer
Vice President–Brewing

William L. Rammes
Vice President–Operations

Paul J. Morrissey
Vice President–Wholesale Operations Division

James F. Hoffmeister
Vice President–Administration

James D. Boden
Vice President–Operations Control

Henry H. Brown
Vice President–Market Development

Stephen J. Burrows
Vice President–Consumer Awareness and Education

Mark E. Danner
Vice President–National Accounts

Charles B. Fruit
Vice President–Corporate Media

James W. Gillespie
Vice President–Planning and Administration, Wholesale Operations Division

Jack K. Higgins
Vice President–Trade Sales Development

James I. Hunter III
Vice President–Sales

John N. MacDonough
Vice President–Brand Management

Edward G. Martin
Vice President–International Brewing–Europe

Joseph P. Sellinger
Vice President–Plant Operations

Thomas O. Sobbe
Vice President–Wholesaler Development

Paul V. von Gontard
Vice President and Resident Manager–St. Louis

Klaus D. Zastrow
Vice President–Brewing Technical Services

Royce J. Estes
Vice President and Deputy General Counsel

JoBeth G. Brown
Vice President and Secretary

METAL CONTAINER CORPORATION

Barry H. Beracha
Chairman of the Board and Chief Executive Officer

Paul L. Winslow
Group Vice President

William C. Wilkenloh
Vice President–Sales and Marketing

BUSCH AGRICULTURAL RESOURCES, INC.

Raymond E. Goff
Chairman of the Board and Chief Executive Officer

Donald W. Kloth
President

Melvern K. Anderson
Vice President and General Manager

CONTAINER RECOVERY CORPORATION

Barry H. Beracha
Chairman of the Board and Chief Executive Officer

Joseph L. Goltzman
President

William I. Solomon
Executive Vice President and Chief Operating Officer

Gary A. Bybee
Vice President–Finance and Planning

G. Weber Gaskin
Vice President–Marketing and Recycling

ANHEUSER-BUSCH INTERNATIONAL, INC.

John H. Purnell
Chairman of the Board

Jaime Iglesias
President & Managing Director–Europe

Johnson C. Leung
President & Managing Director–Far East

Bruce B. Adaire
Vice President–International Affairs

George S. Thomas
Vice President and Deputy General Counsel

Robert J. Gunthner
Vice President–Marketing

ANHEUSER-BUSCH INVESTMENT CAPITAL CORPORATION

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Chairman of the Board and Chief Executive Officer

Robert A. Legg
President

CAMPBELL TAGGART, INC.

Patrick T. Stokes
Chairman and Chief Executive Officer

David S. Leavenworth
President

Leon Pritzker
Executive Vice President–Staff Operations

Thomas E. Burnett
Executive Vice President–Bakery Division

John W. Iselin, Jr.
Vice President–Diversified Operations

Ellis W. McCracken, Jr.
Vice President and General Counsel

Mark Krieger
Vice President–Planning and Development

Henry J. Himmelberg
Vice President and Controller

Jaime Iglesias
Vice President–International

EAGLE SNACKS, INC.

Patrick T. Stokes
Chairman of the Board and President

Kevin F. Bowler
Vice President and General Manager

William H. Opdyke
Executive Vice President–Plant and Branch Operations

Timothy J. Fleming
Vice President–Sales

John W. Crawford
Vice President–Operations

Thomas H. George
Vice President–Brand Administration

Paul S. Lach
Vice President–Finance and Planning

Phillip P. Abbadessa
Vice President–National Accounts

Stephen J. Galluzzo
Vice President–Quality Assurance

BUSCH ENTERTAINMENT CORPORATION

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Chairman of the Board and President

John B. Roberts
Executive Vice President and General Manager

James F. Bonheimer
Senior Vice President–Administration and Development

Thomas L. Corrigan
Vice President–Finance and Planning

R. Burl Purvis
Vice President–Revenue

Brian D. Smith
Vice President–Marketing

James R. Yust
Vice President–Engineering

BUSCH PROPERTIES, INC.

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Chairman of the Board and President

Brian W. Foster
Vice President–Finance and Planning

Harry D. Knight
Vice President and General Manager–Kingsmill

John C. Martz, Jr.
Vice President–Corporate Real Estate

ST. LOUIS NATIONAL BASEBALL CLUB, INC.

August A. Busch III
Chairman of the Board

Fred L. Kuhlmann
President and Chief Executive Officer

Mark Sauer
Executive Vice President and Chief Operating Officer

Stanley F. Musial
Senior Vice President

Charles D. Maxvill
Vice President and General Manager

Mark D. Gorris
Vice President–Finance and Administration

Marty Hendin
Vice President–Marketing

CIVIC CENTER CORPORATION

Fred L. Kuhlmann
Chairman of the Board

Mark Sauer
President and Chief Executive Officer

John E. Taylor, Jr.
Senior Vice President; Assistant Secretary-Treasurer

Bruce D. Sabin
Executive Vice President and Chief Operating Officer

BUSCH CREATIVE SERVICES CORPORATION

W. Randolph Baker
Chairman of the Board and Chief Executive Officer

Joseph J. Kramer
President

ST. LOUIS REFRIGERATOR CAR COMPANY

August A. Busch III
Chairman of the Board

Roy W. Chapman
President

Walter J. Andrews
Vice President–Operations

Edward R. Goedeke
Vice President–Marketing

Joel A. Murnin
Vice President; Treasurer; Controller

MANUFACTURERS RAILWAY COMPANY

August A. Busch III
Chairman of the Board

Roy W. Chapman
President

Eldon D. Harris
Vice President–Operations; Secretary

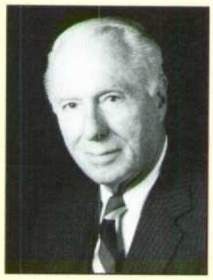
Edward R. Goedeke
Vice President–Marketing

Joel A. Murnin
Vice President; Treasurer; Controller

Board of Directors

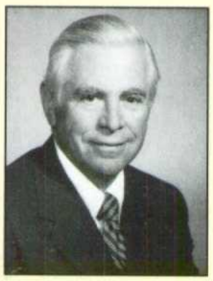
Anheuser-Busch Companies, Inc.

August A. Busch III
Chairman of the Board and President



Fred L. Kuhlmann
Vice Chairman of the Board, Anheuser-Busch Companies, Inc., and President and Chief Executive Officer–St. Louis National Baseball Club, Inc.

Walter C. Reisinger
Special Representative–Customer Relations–Anheuser-Busch Companies, Inc.



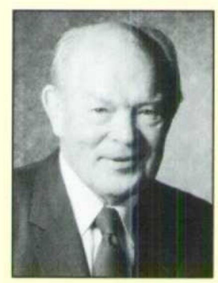
Richard T. Baker
Former Chairman and presently Consultant–Ernst & Ernst (now Ernst & Young); certified public accountants

Vernon R. Loucks, Jr.
Chairman and Chief Executive Officer–Baxter International Inc.; an international manufacturer and marketer of health care products, systems and services

Armand C. Stalnaker
Professor of Management–Washington University School of Business

Bernard A. Edison
Former President–Edison Brothers Stores, Inc.; retail specialty stores

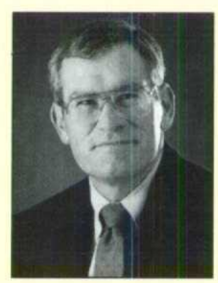
Vilma S. Martinez
Partner–Munger, Tolles & Olson; attorneys



Fred W. Wenzel
Chairman of the Board–Kellwood Company; a manufacturer of apparel and home fashions

Peter M. Flanigan
Managing Director–Dillon, Read & Co. Inc.; an investment banking firm

Sybil C. Mobley
Dean of the School of Business and Industry–Florida A&M University



Edward E. Whitacre, Jr.
Chairman and Chief Executive Officer–Southwestern Bell Corporation; a national communications corporation

Charles F. Knight
Chairman of the Board and Chief Executive Officer–Emerson Electric Company; a manufacturer of electrical and electronic equipment

James B. Orthwein
Partner–Huntleigh Asset Partners; a private investment firm

ADVISORY MEMBER
Edwin S. Jones
Former Chairman of the Board–First Union Bancorporation (now part of Boatmen's Bancshares, Inc.); a multi-bank holding company

DIRECTOR EMERITUS M. R. Chambers
Former Chairman of the Executive Committee and Director–INTERCO INCORPORATED

Produced by the Corporate Communications Department
Irene Hannon Gottlieb
Manager, External Communications
Designed by Busch Creative Services Corporation
Paul Harmon, Art Director

Anheuser-Busch Companies, Inc.
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St. Louis, Missouri 63118